

The
SQUARE DEAL



OR

THE

BUSINESS SEARCHLIGHT



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"GREED AND LABOR" OR "MONEY AND MUSCLE."

The one theme of poets and songsters since the world began has been the subject of labor. And why not? It is labor that produces the wealth of every community—and greed takes from this producing force of brawn and muscle the richer benefits. It is admitted by all thoughtful people that in the natural course of events there must be financiers, but they are only made possible by the help of labor, assisted by its truest friend, nature. Our photograph is of a painting by Mr. G. F. Watts, an artist of world-wide reputation, and is remarkable from the fact that it was painted in his eighty-fourth year.

THE "SQUARE DEAL"

OR FLASHES FROM THE BUSINESS SEARCHLIGHT

HUMANITY'S PLEA FOR JUSTICE AND PROTECTION
AGAINST OPPRESSION BY THE GREAT FINANCIAL AND
COMMERCIAL POWERS WHOSE MARVELOUS GROWTH
IS THE WONDER OF THE TWENTIETH CENTURY

GATHERING A NATION'S WEALTH

FROM FIELD AND FARM, SHOP AND FACTORY, MINE AND RANGE, BUSY
CITY LIFE, ETC.

THE TRUTH ABOUT THE TRUSTS;

MONEY INTERESTS, STANDARD OIL MONOPOLY, BEEF COMBINE, RAILWAY
MERGERS, ETC.

JUGGLING WITH THE PEOPLE'S MONEY

AT THE STOCK EXCHANGES, BOARDS OF TRADE, BANKS, INSURANCE
COMPANIES, ETC.

FIGHTING THE GAME OF "GRAFT"

IN NATIONAL, STATE AND CITY GOVERNMENT; THE BUSINESS WORLD,
TRADES UNIONS, ETC.

MUSCLE AGAINST MONEY

THE STRUGGLE BETWEEN LABOR AND CAPITAL

EMBELLISHED AND ILLUMINED BY HUNDREDS OF ILLUSTRATIONS

BY

HERBERT B. MULFORD

WALL STREET CORRESPONDENT AND FINANCIAL EDITOR OF THE CHICAGO EVENING POST
AND

TRUMBULL WHITE

AUTHOR OF "THE WORLD'S PROGRESS," "OUR NEW POSSESSIONS," ETC.
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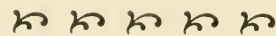
A NEW AMERICAN DOCTRINE.

"I shall go into the presidency unhampered by any pledge, promise, or understanding of any kind, sort or description, save my promise made to the American people, that so far as in my power lies I shall see to it that every man has a square deal, no less and no more."



"We recognize the organization of capital and the organization of labor as natural outcomes of our industrial system. Each kind of organization is to be favored so long as it acts in a spirit of justice and of regard for the rights of the other. Each is to be granted the full protection of the law, and each in turn is to be held to a strict obedience to the law, for no man is above it and no man below it. The humblest individual is to have his rights safeguarded as scrupulously as those of the strongest organization, for each is to receive justice, no more and no less. The problems with which we have to deal in our modern industrial and social life are manifold; but the spirit in which it is necessary to approach their solution is simply the spirit of honesty, of courage and of common sense."

THEODORE ROOSEVELT.



To All Believers
in the
Golden Rule
"Do Unto Others as You Would
That They Should Do to You"
This Book
is
Dedicated

Notable Statements Concerning Trusts

BY THE OHIO SUPREME COURT, in its decision of March 2, 1892, which ousted the Standard Oil Trust from the State:

"Experience shows that it is not wise to trust human cupidity where it has the opportunity to aggrandize itself at the expense of others."

BY JOHN D. ROCKEFELLER, JR.:

"The American Beauty rose can be produced in its splendor and fragrance only by sacrificing the early buds which grow up around it."

BY PRESIDENT THOMAS, of Lehigh Valley Railroad, Member of Coal Trust:

"As long as the people are willing to pay our price we would be poor merchants not to accept it."

BY HENRY H. ROGERS, of the Standard Oil Company and mouthpiece for John D. Rockefeller:

"Slavery in certain sections of the United States was legal until President Lincoln's Proclamation of Emancipation. Rebates were just as legal until the passage of the Interstate Commerce Act."

BY THEODORE ROOSEVELT, Author of the American doctrine of the "square deal for every man":

"Neither this people nor any other people will permanently tolerate the use of the vast power conferred by vast wealth—and especially by wealth in its corporate form—without lodging somewhere in the government the still higher power of seeing that this power is used for and not against the interests of the people as a whole."

BY WILLIAM H. VANDERBILT:

"I never came in contact with any class of men as smart as they are (meaning the Standard Oil people) in their business, and I think that a great deal of their advantage is to be attributed to that. They never could have got in the position they are in now without a great deal of ability, and one man would hardly have been able to do it. It is a combination of men. I don't believe that by any legislative enactment, or anything else, through any of the states or all the states, you can keep such men down. They will be on top all the time."

PREFACE

IN PRESENTING this volume to the reading public, we are frank to admit a considerable degree of pride in its form and contents, a pride which we consider pardonable by virtue of the merit of the matter. The American demand for the "square deal" for every man has become insistent as it has never been before, and where in former years a single voice of discontent might be heard here and there, those voices now have become a chorus almost universal in the demand for fair play in the financial, industrial and political world.

The work in hand is intended to be a general discussion of the relations between public and private affairs in our country. So rapid has been the movement of change in these departments of human activity, that references continually meet the eye only to be obscure because the facts leading up to them are not familiar to the average reader.

Says one of the authors in outlining the scope of the volume, "Our purpose from the beginning was to write and compile such material as would be of most practical service to every reader seeking light on the great events of today. Roughly speaking, the contents of the volume may be described as including everything bearing on the public interests in industrial, financial and political betterment—in other words, the expounding of the 'square deal' policy by expounding the evils and errors that have stimulated the demand for the 'square deal.' "

While the foregoing quotation broadly defines the plan the authors had in view, it does not do justice to the comprehensiveness with which they have executed their task. The work was planned to be exhaustive within its own field, and well has the plan been carried to completion.

The authors first have treated the popular demand for fair play that has been voiced so sturdily by President Roosevelt, indicating some of the abuses that stimulated the demand, and some of the movements that have been made to correct the abuses. Next they take up for a complete discussion the tremendous financial interests that have assembled in a money group of corporate magnates. The showing here is an impressive one, indicating that a single board of directors represents interests controlling money to the amount of \$11,000,000,000, or

more than one-tenth of the entire wealth of the United States. "Who owns the United States?" is a query which the authors put to the reader, and then answer it in a way that is genuinely edifying.

With this fact as a nucleus the authors have treated in fascinating chapters all the ramifications of the money power, tracing it through banks, life insurance companies, trust companies, railways, industrial trusts, boards of trade, stock exchanges, and every such organization as enters into the complex system of high finance. If there be one who doubts that such solid and sober facts can be of interest to the casual reader, let him but turn at random to any page in the book and discover for himself. For ourselves, we believe that the tremendous facts here related, the stupendous sums here involved, the play of greed against greed in the struggle for gold, the rise and fall of fortunes and of men in the warfare of business, are as theatrical, as melodramatic, as fascinating if you will, as the most exciting play ever staged.

Here are revealed the inside truths of the financial, industrial and business world. Here are told the secrets of Wall Street and of the trusts. There is no acrimony in it, no effort to argue for or against the contending interests, but merely the plain record of the things that have happened and are happening today, at least as plain a record as there can be for facts so spectacular.

But the financial world is not the only phase of this work, although to a degree it is the one around which all others revolve. In the end the huge financial interests must have a foundation on production and industry, and so in order to preserve the balance and make the facts complete, the authors have given careful attention to the methods of trade and industry in the United States and throughout the civilized world.

For example, the Standard Oil Company is not alone a financial institution of almost inconceivable influence and magnitude, but it is also the greatest of institutions in the actual production of petroleum and its by-products. The Steel Trust is not merely a monstrous corporation for the handling of financial interests, but it is also the greatest of producers and manufacturers of steel and the things that are made from it. The Railway Mergers are not merely corporate schemes for controlling stocks and bonds, but they are also calculated for the operation of the greatest of railway systems. Therefore, to make the book complete, it treats not only of Standard Oil, the Steel Trust, and the Railway Mergers as factors of surpassing importance in finance, but it treats with fullness as well, the actual methods in the petroleum, steel and railway industries. These are but examples of a policy which is carried throughout the volume.

Another detail which is given attention with like completeness and clearness,

is the struggle for the political purification of cities, state and nation. There never was a time when such general interest was displayed toward this end, and no more hopeful sign for the welfare of our country exists than this fact.

The course of controversies between labor and capital is likewise traced, showing how these two elements in national prosperity have come into conflict and have organized to battle against each other.

It would be profitless to expand our own summary of this noteworthy work, when the volume is in the reader's hand. We can but call attention to the fact that it is embellished by a large number of carefully chosen photographic illustrations, including both scenes and portraits. In addition to these a number of carefully chosen diagrams are included, which will assist in making clear some of the more technical portions of the work.

This book has been prepared to be informing and enlightening rather than argumentative. The authors had no politics to advocate or theories to uphold. They have stated facts as they found them. With the belief that it will be of service to every reader in whose hands it is placed, the work is presented by

THE PUBLISHERS.



PROGRESS AND SCIENCE BRING ALL NATIONS INTO CLOSE COMMUNICATION.

In this advanced age we have ocean cables, wireless telegraphy, long-distance telephones, rural mail delivery, fast railroad trains, ocean greyhounds—everything that will put us in immediate and direct communication with our fellow men all over the world. It frequently happens that we know more about what is going on at a great distance than we do of what may be transpiring in our own town or among our neighbors. This illustrates the rapid age in which we live—and consequently, when we come to think of it seriously, the world seems to be growing smaller.

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INTRODUCTION

INDEPENDENCE OR INTERDEPENDENCE

MEASURED by the age of the records of mankind on earth, the length of a single generation, or even a single century, is but a short span. But there are single lives that are privileged to see greater events and greater progress than are recorded in a dozen centuries in the dark ages of the past. There is a tendency among all men, as there has been for many a day, to look back on the "good old times" and wish for a share in life as it used to be. No doubt the student of the Thirtieth Century will look back upon the romance that is dead, just as we are prone to look back on the picturesque events of colonial days, and the development of the civilization of Greece and Rome with a feeling that we lost much by not living when such significant things were happening.

But if we look at the situation judicially, we are forced to the conclusion that never in all history were greater movements under way than those of the immediate present. It seems probable that the Twentieth Century is to go down in history as one in which the most vital of human relations were determined and readjusted, the most important controversies of the classes and the masses settled, the rule of the special privilege brought to an end, and the recognition of the ethical righteousness of the "square deal" for every man, impregably fixed in national policies and in the individual conscience.

The man who lives today cannot say with the dreamer, "The age of romance is dead." Instead, he should realize that he is in the midst of the most dramatic period in history—the period in which human rights are to be defined and preserved as they have never been before. The man who shares the activities of today, in station however humble, is a participant in the significant movements that are visible to every thinker. Tidal waves may wreak havoc upon a community, and be remembered for the disaster they have wrought. They are but local, even when greatest. The real work is done by the tide itself, which is universal over every sea, and though less spectacular than the cataclysmic storm, is irresistible, silent and constant. Perhaps we do not all notice the tide, but we are living at a time when it is approaching its maximum, and it will be well to observe its progress and its probable effects.

The tide has different manifestations which can be noted and defined with ease. Perhaps the most conspicuous of these is the growing appreciation of the fact that in civilization as it is today, there is no such thing possible as independence, but only interdependence. He who wants to be independent in the extreme sense of the word, must seek isolation, depend upon the chase and his own garden for food, upon his own weaving for garments, and upon his own building for shelter. If one lives amid human society he cannot be independent. Neither can a nation today be independent of the rest of the world. China, Japan and Korea in turn have been forced to absolute abandonment of their historic policies of seclusion, and even Tibet has seen its walls breached within the last year, by the entrance of a British expedition and the forcing of a treaty prohibiting the exchange of trade and travel.

The complexities of civilization increase in exact ratio with the increase of comfort, and this is readily demonstrated by even the most superficial glance at the progress of the world. From the era of the cave and cliff dweller, of stone hatchet and bronze hammer, we have come to a time when we shelter and feed and clothe and educate ourselves in a manner that makes our ancestors seem like savage beasts rather than men. The farmer or the mechanic of today commands more genuine comfort, convenience, and even luxury in his household, than could be found in a royal palace two hundred years ago.

This change has come simultaneously with the growth of interdependence as against independence, and perhaps because of this growth. The robber baron of the Middle Ages was almost independent, although even he had to depend for his food and his fighting-men upon the peasants over whom he lorded it. The robber baron of today, if we admit for a moment that such may still be found, is far less independent than was his progenitor. The latter, if necessary; probably could have gone out in single combat and fought for himself with admirable strength and skill. He of the Twentieth Century might earn his own living by digging coal from the mine, or pumping petroleum from the earth, or bartering the product of his loom to a waiting merchant, if all his retainers, high and low, were to withdraw from his service. But certain it is, he would not be a magnate, but only a man, if such a condition should arise.

The magnate, indeed, is as truly a dependent as is the humblest of those in his organization, his only advantage being, perhaps, a keener perception of conditions in the field, and a larger supply of ammunition and provisions for sustenance in the event of hostilities. It would be a shallow observer indeed who could not discover the interdependence between these elements and every other element in our civilization, local, national and international, if the parallel be pursued to its logical conclusion.

A few paragraphs which will summarize the growth of civilization to its present form will be pertinent in introducing the broad subject concerning which this work treats. In the childhood of the race, individualism was the only social system. Each man demanded for himself food, shelter and safety, and for these he strove individually at whatever cost to his neighbors. Soon he discovered that these necessities were better provided by joining with his neighbors than by fighting with them, and this was the nucleus of the social system which we have attained today.

Says a recent writer: "The conspicuous tendency ruling today, is the consolidation of enormous commercial, industrial and financial powers, into what we characterize as 'Monopolies,' 'Syndicates' and 'Trusts.' But even the Trust itself, in its most extreme form, is but a natural outgrowth of conditions long developing. There is no essential difference in principle between the great department store of the metropolis, and the general store of the country cross-roads. Size is the only vital distinction. The village banker embodies all the characteristics of the moneyed captain of Wall Street, except that of magnitude. The owner of the transfer line, which carries passengers and their baggage from railroad to hotel, is a transportation magnate on a smaller scale. Any man who has goods which another wants, and holds up the price therefor to the limit of his customer's ability and willingness to pay, is illustrating the principles of monopoly. Broadly speaking, any form of organization which economizes labor and produces a given result with the least demands upon man and material is good. The surplus thus released becomes available for other service, and the general tendency is toward a broadening of industry and opportunity. This is not less true because in many instances the process of readjustment is a painful one, bringing hardship to individuals or classes. Nor is it controverted by the fact that monopolies and their kin are sometimes oppressive, claiming for themselves all the benefits of economized labor and material that should accrue to the public they serve."

The public at large perhaps does not understand the ruling policy which governs those who are operating great financial, industrial and commercial undertakings. It will be edifying to glance at the viewpoint of the men who control the trusts that are reckoned as almost impregnable in the volume of trade in this country. "Business is competition," they declare. Competition means strife to excel, and strife means the survival of the fittest, not from a personal, moral or ethical point of view, but economically speaking, and meaning by "fittest" the man who rises to the top. Thus "Business is war" becomes the watchword of the captain of industry. But there are laws of war generally recognized,

and so there are rules by which the wars of business are regulated. And just as in war there is a cry for humanity which the civilized nations are heeding and are writing into international law, so is there a cry for a moral outlook upon the business field—a cry for the “square deal,” which is rising in volume and is being heard. This is the cry which promises to force itself upon the recognition of even the most heedless in the war, by legislation if all other means fail.

“Big money” is the principal weapon in the hand of the circle of men who have now come to the conclusion that it is unwise to fight each other within their own circle. Now that combinations to restrain trade and to control competition are meeting concerted resistance from the weaker men, this weapon meets the voting power by influence and bribery. As soon as this condition is realized by the public, a more strenuous struggle begins for what the injured multitude conceive to be fair, and of equal advantage for all. At last obloquy falls upon the man who buys special privilege and advantage by the lavish use of his accumulated wealth, and the public, not understanding the conception of business which, generally speaking, obtains among the capitalist class, marvels at the versatility of the multi-millionaire who may teach a Sunday-school class, support the cause of education, and give large sums to missionary undertakings, while at the same time he is credited with the use of methods which ruin competitors, corrupt legislatures, establish industrial injustice, and stimulate the growth of class hatred.

Astonishing as it may seem to one reared in another school of thought, the simple explanation is that such men absolutely disassociate their personal life and habits from their business life and habits. Apparently they put on a new code of ethics and morals when they change their street coat for their office coat, and sit at the desk to consider the plan of the day’s campaign. It is probably true that the rising cry for the “square deal” in business and industry, to all men and from all men, has caused genuine surprise and perplexity in a great number of those against whom the cry is directed, and who have considered themselves playing the game of business as they would play the game of war, with the ruthless intention to win at any cost to the vanquished, and with no realization that any other code obtained anywhere.

Today a demand is abroad throughout the land for the abolition of the most glaring wrongs in the body economic. Long since has the suffering public, ground between the upper and nether stones, felt that conditions must be so changed as to avert the constant succession of ruinous and bloody strikes. It has seen with shame the hardihood with which aggregations of capital are permitted to ignore the law and subvert justice by bribing legislators, to frame statutes

favorable to the moneyed interests and against the best policies of the state. On the other side, it has seen the dishonest legislator in his ruthless "holdup" of honest corporations bent upon legitimately securing proper legislation. Monopoly has grown to such an extent that it has stimulated students to find solution in the extremest application of radical economic systems. In the folly and wickedness of predatory monopolies, the socialist finds his most impressive arguments for a paternal control of the tools and materials from which wealth is produced, so that the profits and benefits may accrue to the producers and the public, rather than to the private interests that exploit public necessity for their own profit.

The whole question is many-sided. From the writer already quoted we offer another paragraph, which suggests some of the ramifications into which the inquiry leads: "It is beyond question," he says, "that the telegraph service of the country is more adequate and efficient, to the advantage of every patron, consolidated as it is, than if it were scattered among a score or a hundred small companies, each confined to a district, or all competing for trade in every community. And yet it may be retorted with some reason that it is just as truly an extravagance of labor and equipment for three milk wagons to traverse a given neighborhood at the same time every day, each serving one-third of the householders, when one could do it just as well, thus leaving the surplus men, wagons and horses to some employment actually productive.

"If closely parallel lines of railways, each requiring to earn interest and profits, are an improper drain on the country they traverse, where one would serve all purposes equally well, in less degree the same is true of parallel routes for the milk wagons. Inventions have had to face opposition throughout the whole history of the world, even until today. The self-binding reaper was one of the triumphs of modern invention in the mechanical field, but it was riotously assailed as revolutionary and disastrous to industry by mobs of agricultural laborers who saw their occupation vanishing. Yet the broad prairies of the Mississippi valley have been brought under cultivation, and homes and employment have been created for millions by the improvement in agricultural machinery. The typesetting machine was opposed because one would do the work of several hand compositors and many men would be discharged. But newspapers have multiplied and enlarged by its introduction and the whole craft was ultimately benefited thereby. Let the reader meditate on these conditions, thus briefly suggested, and reason out for himself the lessons of the fundamental principles involved."

It is not alone in financial and commercial undertakings that the demand for

the "square deal" is making itself heard. Apparently there is a growing necessity of absolute honesty in the political and the industrial field as well. The newspaper and magazine press have done noble work in the ferreting out of injustice and dishonesty in high places, and in creating in the public mind a proper indignation against those who have betrayed their trust.

Such investigators as Miss Ida Tarbell, Lincoln Steffens, Ray Stannard Baker, and others who might be named in the same list, have found in the Federal Government, in State Legislatures, and in Municipal Councils, the details of dishonesty and corruption that were but imagined or charged at random before they did their work. Organized capital, organized labor, and organized politics, alike, have been discovered to be tainted with rottenness, vice, bribery, corruption and avarice. Revelations have been made to the world that would have fallen on dull ears only a few years ago, so little prepared were the people to hear them.

In a large degree partisanship has been eliminated from these exposures. It is coming to be realized that there is little of political principles and economic policies troubling the professional politician: and with that realization, honest voters are caring less for the political label worn by a candidate or an office holder, in comparison with what they discover of his honesty or dishonesty. It is becoming largely a matter of indifference to the thoughtful, whether a Roosevelt, a Folk, a Dencen or a La Follette supports one school of political economy or another, when discovered to be standing with the people and demanding a "square deal" for every man.

The result of all this has been a wide-spread demand for a correction of abuses, for a termination of the rule of "graft," and for a more intimate knowledge of both sides of the controversy in which the questions of trust, monopolies, special privilege, government supervision, government ownership, and all of the things growing out of these are paramount. The public has welcomed with voracity the detailed facts developed by such investigations as that of the so-called Beef Trust, the dissolution of the Northern Securities Company under the Anti-Trust law, the intervention of the President in the great anthracite coal strike in 1901-2, the unearthing of bribery in the departments of the National administration, and the endeavors of the President to check discrimination in railway rates, and to control by federal legislation all corporations doing an interstate business.

At the same time those magazines which have published definitive articles on the inside history of Standard Oil, the Beef Trust, the Railway Merger, the Life Insurance Group, the Copper Ring, the Theatrical Trust, and a host of

others that might be named in the same category, have found the public waiting eagerly month by month for such material.

Even beyond this point, it is manifestly true that the result of recent elections in several American cities, noteworthy Chicago, indicates a rapid drift toward government or municipal control of public utilities, a fundamental and primary contention in the programme of the socialists.

With a full appreciation of the magnitude and importance of the task which they have assumed, the authors of this work have surveyed the entire field as here outlined, into many ramifications not suggested in this introduction, and have believed that the production of such a work would be of distinct service to a large circle of inquirers who have not the large number of facts at their command. They have realized their responsibility to the public, and to the tremendous interests which they discuss in the following pages with absolute frankness. They have had no desire to cast obloquy upon any person or any organization, not yet to gloss over any evils which they have been able to discover. The simple purpose has been to relate the facts as they are, as lucidly and as interestingly as they were able to do, and let those facts speak for themselves. In other words, the authors have approached their task not as advocates for or against any system or economic theory, but judicially, and as recorders of things as they are.

They have appreciated likewise that the individual, high or low, is entitled to full consideration in every controversy of methods and policies. They have believed that their obligation is just as great to the humblest individual as to the greatest corporation or trust. Under no other circumstances could they justify the offering of a work which purposes to expound the whole subject of the "square deal."

Perhaps there has been too much attention paid to the man of large business, and too little to the one of small business. Indeed, we may question if the word "business" has not been too narrowly applied. Politicians and economists have sought to discover what the business world thinks of questions at issue, more than once, when they limited their inquiry to the man who dealt in money, or the man who sold goods over a counter. In truth, every man who earns his living is in business. Whatever you do that brings you a return for your efforts is your business, whether it be a profession, a handicraft, or the occupation of the merchant. He who wields the tool of the mechanic is as truly a business man as is the millionaire railway president, banker, or merchant prince. If we follow Noah Webster's definition of the word, and that of every other recognized lexicographer, we will not make the common mistake of calling one person a business man and another a laborer. The school child who cares for a garden bed

or a fruit tree, or gathers the eggs from the hay mow, is rendering a service, and is entitled to be reckoned as a factor in the business world.

It would be reckless to enter the realm of prophecy, but at least one may venture to interpret some of the signs of the times. After a careful observation of the course of public opinion and legislation, it seems that the American public may be permitted to felicitate itself that a better day is dawning. No longer do we tolerate dishonesty in the political, industrial, financial and commercial world, merely because the guilty first become prosperous and then give grudgingly a part of their plunder to some public cause in the effort to palliate their offense. No longer do we view with patience the oppression of the many by the powerful few. No longer do we accept as intelligent argument the answer that "there have always been such evils in the world and there always will be." And no longer do we deny our own responsibility, washing our hands of the matter and leaving the solution to others. The whole mass of the people must enter into the subject. They must share the struggle and the responsibility for what follows. No man can shirk his part in the work of readjustment. That the facts here assembled may contribute in some degree to the mass of information necessary before any inquirer can arrive at well founded and honest conclusions, is the earnest hope of

THE AUTHORS



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ABRAHAM LINCOLN.

The man at the helm when human slavery was abolished.
(The Photograph was taken just previous to Lincoln's departure for Washington in January, 1861, and is accounted the truest portrait of Lincoln ever made.)



THEODORE ROOSEVELT.

The man at the helm who has blazed the way for the search-light of investigation against the methods of industrial and financial combinations which threaten human liberty.

PAST AND PRESENT

CHAPTER I

THE CRY FOR THE "SQUARE DEAL."

The Awakening of the People—"Publicity" Demanded—Government Investigations Lead to Government Regulations—A General Movement for Fair Dealing in Business.

"THE SQUARE DEAL"—"a rough phrase covering the noblest sentiment that has stirred American politics since the Emancipation Proclamation."

It is thus that an eminent writer upon large political issues, William Allen White, characterizes the action of President Theodore Roosevelt, who used this homely yet powerful appeal to the American people in a great and successful political campaign and who, taking it as the motto for his administration "led the way from the consideration of problems that concern the accumulation of national wealth toward problems that concern its equitable distribution."

"Led the way" puts the matter quite significantly before us, for though to the "Strenuous" President is due the credit for coining the phrase that means so much in this age of growing monopolies, when problems more serious than ever before confronted the business, social and moral world, there had been a cry for a "square deal" heard from many quarters. It was for the President to lead the way. What he has accomplished has been a leap toward justice for which humanity is pleading; what may be accomplished from these beginnings cannot be estimated. But this much seems true: The twentieth century probably will go down into history as the age when emancipation from trust misrule and monopolistic oppression was won by the sturdy fight of the people, just as the close of the eighteenth century saw the chains of foreign oppression broken and the nineteenth century saw the freedom of the negro slave.

It was not a mere coincidence that led to this movement for fair dealing. Let us glance at a short page in the history of the country, dating back only to 1902, or, say, to about the time when Roosevelt succeeded the murdered President McKinley. Two great acts of this young and strenuous man stand out in the flashes of the business searchlight: one was the order for the Department of Justice to investigate the legality of the great Railway Merger—the Northern Securities company—over whose formation there had been a battle

of millions of dollars; also the test of the legality of the action of the meat packers of the country in controlling the supply of meat; the other was the intervention of the President in that great anthracite coal strike in Pennsylvania which had lasted nearly a year and had caused untold misery and loss of wealth.

Such action seemed a great departure from the usual path of duty of the chief executive. The Coal Trust stormed; the Railway Trust magnates cried out in rage. The knives of the rich were sharpened to defeat Roosevelt when he should run for re-election. What was the result, or rather results, for they came so fast that they seemed almost myriads? Let us state briefly some of the most important:

Election: Roosevelt's majority of 2,523,000.

Vote for Debs, socialistic candidate, 386,955, a remarkable demonstration of discontent with existing conditions.

Railroads: President Roosevelt recommended that the Interstate Commerce commission be given increased powers so as to regulate railroad rates.

Bill to this effect passed the House of Representatives with only seventeen negative votes.

A storm of protests arose from railway interests, which caused the Senate to postpone action in order to investigate before passing a law.

Sharp criticism by leading citizens and the press of the action of the Senate, with charges that the Senators were controlled or unduly influenced by railroad interests.

Anti-rebate law passed in Wisconsin. Railroads retaliate by stopping further railway improvements in the state.

Presidents of railways admit pernicious custom of allowing rebates.

Interstate Commerce Commission finds Beef Trust has monopoly of private car lines. Secret codes discovered, indicating illegal rebates and overcharges.

Armour car lines succumb to pressure and reduce exorbitant icing charges on fruit shipments.

Complaints from merchants in small towns and cities that railways have wrecked small business centers in order to build up the larger cities through rate favoritism.

Beef Trust: Following the first investigation of the so-called beef trust the United States Supreme Court handed down a unanimous decision

declaring the big Chicago packers to be a combination in restraint of trade and giving a wider meaning to the term "interstate commerce," which is controlled by the United States government.

Investigation of the Beef Trust ordered by the Department of Commerce and Labor, which resulted in a first report practically exonerating the packers.

Criminal prosecution begun in the federal courts at Chicago.

Standard Oil: An investigation of the Standard Oil company ordered by President Roosevelt, largely because Kansas oil producers set up charges of illegal trade conditions maintained by the Standard in that state; this investigation under the direction of the Bureau of Corporations of the Department of Commerce and Labor.

Anti-trust bills, resolutions or similar action taken in a dozen states. Kansas to erect a state oil refinery.

Steel: Congress takes measures to investigate the United States Steel corporation, but forcible action becomes unnecessary, for the company furnishes Commissioner Garfield of the Bureau of Corporations with all the data on the company's business desired by the government.

Dissolution of the several steel material pools which were regulating production and prices of products contrary to the anti-trust law—Fear of steel magnates that Roosevelt would investigate and punish them.

Insurance Companies: Recommended that insurance companies be placed under federal supervision.

Great scandal arises in the Equitable Life Assurance Society, because James H. Hyde, son of the founder of the company and inheritor of control of the company's stock, would not cede control to President Alexander, friend of Hyde's father and trustee of Hyde's stock.

Mutualization of the Equitable Life Assurance Society.

Banks and Trust Companies: Secretary of the Treasury recommended that trust companies of great power and capitalization be incorporated under the federal law.

Effort to have New York trust companies make frequent reports of their financial condition and be compelled to keep larger cash reserves to protect depositors.

Effort to compel bank directors actually to direct banking business in which they are directors and not to allow transfer of control without notice.

Interstate Business: Recommendation by Commissioner Garfield that all companies doing an interstate business be compelled to secure a federal license in order to do interstate business, and in order to secure such license to submit to certain requirements for publicity.

Labor War: Severe struggles between the forces of capital and the forces of labor. Trade unions use the sympathetic strike in order to force capitalists to grant concessions. Riot and murder in the wake of strikes.

Employers bribe union leaders to call strikes against competitors as a business weapon. Trade unions revolt from this bribery and the employers band together to crush out labor organizations. Both sides use unfair methods.

The suffering public insists on law and order and President utters his famous Chicago labor peace doctrine, "Back of the City stands the State and back of the State stands the Nation."

Grand jury investigation into labor lawlessness.

Business Ethics: Awakening of the people to the fact that "big money" acts upon the mottos that "Business is war" and that "All is fair in war."

Demands that business men shall be honest in their competition and conform to the spirit of honesty, even though immoral business methods may not be illegal.

Graft: Revolt in great cities and states against domination of legislative bodies by organized gangs of corruption forces such as politicians, contractors, labor leaders, etc., all seeking to steal money from the public through the purchase and sale of valuable legislation.

Investigation in many quarters of legislative bribery and convictions therefor.

Defeat of gangsters in Philadelphia who sought to steal \$100,000,-000 worth of gas properties through corrupt officials. Reformation of Mayor Weaver through the influence of public remonstrance and through public prayers.

Stock Market Manipulation: Exposures of practices of "high financiers" in trust promotion and stock watering. Flagrant violation of financial ethics in "watering" the stock of the United States Shipbuilding Company. Scandal in the promotion of Montreal Consolidated Mining and Smelting Company, causing resignation of Vice-President Archibald G. Loomis of the National City Bank of New York City.

Court orders commanding the repayment by directors of unearned dividends paid out by them illegally on the "watered" stocks of the American Malting Company, American Grass Twine Company and other corporations.

General cry against "watering" stock for the benefit of a few insiders to the detriment of investors.

Violation of Trust: Big defalcations by bank presidents. Use of "inside information" by directors of stock corporations for the purpose of win-



HAYMARKET SQUARE, CHICAGO.

Hundreds of small truck farmers with their wagons loaded with produce gather here and frequently remain all night in order to hold a favorite position to dispose of their wares in the morning. The monument in the foreground indicates the spot where a number of anarchists were gathered in an open-air meeting. When a platoon of police endeavored to disperse them, a bomb was thrown into their ranks, killing and wounding scores. For this crime several of the leaders were executed and others sent to prison for life. The monument was erected to the memory of the brave officers who were assassinated while doing their duty. The inscription reads: "In the name of the people of Chicago, I command peace."

ning fortunes in the stock market at the expense of legitimate stockholders.

Demand that stock "washing" and "matching" orders in the stock markets cease.

General Reform: Action by writers who favor the "square deal," exposing unfair business dealings.

Protest against acceptance of John D. Rockefeller's gift of \$100,000

to American Board of Missions of the Congregational Church, on the charge that the money was tainted and the fruit of dishonest practices.

Demand for tariff readjustment so as to take away from great trusts one of their principal special privileges.

Municipal Ownership: Great cry in Chicago against the Wall street control of the street railway system and the election of Mayor E. F. Dunne by a large majority on a platform favoring municipal ownership of these traction lines.

The "Square Deal": Addresses by President Roosevelt advocating fair treatment alike for every person, whether working man, middle class, or capitalist.

Socialism: Predictions by eminent financiers and students, that socialism, which appears to be growing rapidly in Europe and spreading to this country, will be powerful in the country's future politics, especially if there is not some success in controlling monopoly, which seems to be here to stay.

Publicity: Standard Oil, Sugar Trust and other corporations refuse to publish complete financial reports for benefit of stockholders, but trust magnates wince at adverse criticism.

Judge Grosseup and other public men advocate publicity as a cure for rottenness in politics, finance, labor and business.

CHAPTER II

THE ANTI-TRUST WAVE.

Governmental Supervision to Keep Apace with Industrial Development Demanded—The Cry for Reform in Business Ethics—"Big Money" Must not be Allowed to Control the Law—Right Living and Right Thinking the Basis of Material Prosperity—Our Government Must Stand for Every Man, Rich or Poor Alike—If He Does No Wrong, He Shall Suffer No Wrong.

IF THE foregoing epitome suggests anything to the reader of American history, whether he be capitalist or laborer or middleman, it should be the conclusion that the American public is aroused today over the aggression of trusts, the abuse of the monopoly power, as never before. Three times in the history of the industrial combination age of the nation anti-trust waves have swept over the country. Each time the name of Rockefeller has been prominent in the agitation. Back in 1872 the first crusade of importance was begun. Then the cry for the "square deal" was heard in a different degree; the slogan was missing and the leader of the great movement for industrial freedom of today was but a boy. In that fight against the abusive power of monopoly the battle was waged around what is now the Standard Oil banner, although there were other phases of the struggle. To recount some of this history is not amiss, for it may reflect some of the causes of the present war.

In 1872 independent oil producers of Pennsylvania were threatened with annihilation through the formation of the gigantic combination in which the young Standard Oil Company was a leading spirit. This combination was the South Improvement Company. It had secured contracts with the principal railway trunk lines leading into the oil country, by the terms of which it was to get a rebate on the freight for the oil which it shipped and a drawback of the same amount on all oil shipped by its competitors. When the independent oil men understood the full import of this first wedge of the oil monopoly into their business, a storm broke, the fury of which was not slackened until the combination was disrupted, the contracts with the railways annulled and the arrogance of the Oil Trust was held in check for a time. This outburst of popular wrath, together with the great "granger movement"—the legislation against railway aggression in the middle western states—left its imprint most



BUILDING OF "THE TRUST COMPANY OF NEW JERSEY," AT TRENTON.

This is the so-called "home" office of "The Northern Securities Company," the United States Steel Corporation, and other gigantic business combinations. The corporation laws of New Jersey appeal to promoters and organizers because they give them a sweeping advantage over minor investors who may later acquire the stock. While other states—particularly West Virginia and Michigan—limit the capitalization of corporations, there is no maximum as to the bonded indebtedness or capitalization of business enterprises organized under the laws of New Jersey.

effectively through the passage of the "granger" laws, which for the first time in history brought the railways under the supervision of state governments.

In 1887 another epidemic against trust aggrandizement was prevalent. In that year the Interstate Commerce law was passed, by which business transaction made between two or more states of the Union was brought under the jurisdiction of the federal government. During the year following the Oil Trust was submitted to inquisitorial proceedings by the New York Senate and the national Congress. The effects of this tumult was to stun the whole public. The nation was dazed at the phenomenal power and greed of the Standard Oil Trust and the unfailing certainty of ruin on the part of every person who tried to compete with it. At the moment the effect in law was not remarkable, but in 1890 the Sherman Anti-Trust Law was passed, prohibiting combinations in restraint of trade, and two years later the attorney-general of Ohio proceeded in the Ohio courts, which resulted in driving the Standard Oil Trust from its native state and forced it to fly to the wide, hospitable asylum of the New Jersey corporation laws.

While, as has been stated in the foregoing, the great 1905 crusade for square dealing really started when President Roosevelt determined to intercede in the horrible war to the death in the great Pennsylvania anthracite coal strike of 1902, in his order of that year to prosecute the Beef Trust and the Northern Securities Company—or railway merger—under the Sherman Anti-Trust law, the fruits of this man's efforts were not seen for some time. It was during 1902 that Congress went quietly to work to feel the national pulse in the matter of monopoly and trust abuses. The Fifty-seventh Congress, 1902-1903, passed four bills aimed directly at the trusts, which, of course, were promptly signed by President Roosevelt. The first was for an appropriation of \$500,000 to be drawn upon by the Attorney-General of the United States to defray expenses incurred in prosecuting illegal combinations of capital like the Beef Trust and Railway Merger. This was the first anti-trust legislation in nearly ten years.

The second movement was a bill in the interest of President Roosevelt's idea of "publicity" on which he had dwelt in messages to Congress and speeches throughout the country. This bill, when it became a law, created the Bureau of Corporations in the newly established Department of Commerce and Labor, thus placing directly at the disposal of the President, through a member of his cabinet, a power which should investigate all trusts, monopolies, combinations, etc., prepare statistics of trade conditions and report to Congress results and conclusions. It was under this bureau, the first chief of which was Com-

missioner James R. Garfield, son of the martyred President, that the investigations and prosecutions of the trusts which made 1905 famous were conducted.

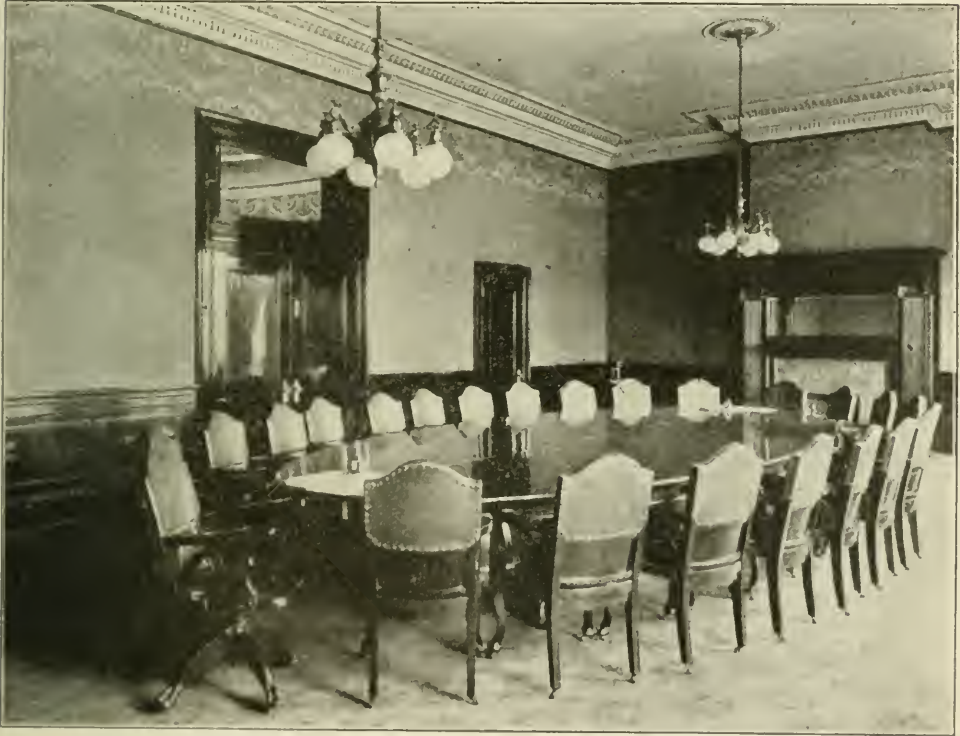
The third trust bill was the Elkins Act, which professed to aid the Interstate Commerce Commission in dealing with the railroads and other common carriers that gave illegal rebates on freight rates. In reality the effect of the law has been nil, and it has been charged that the Senate devised the law in behalf of the railway interests in order to dodge the penalties of existing statutes. This act struck out the provision for punishment for violation of the law by imprisonment as well as by fine. The maximum fine of \$20,000 fixed by this law has not yet been sufficient to prevent large railways from breaking the laws by granting unfair privileges to favored shippers.

The fourth bill was designed to aid the public in its fight for the "square deal" and provided measures for curbing illegal monopolies by removing such cases pending in the Circuit Courts to a hearing before a bench composed of three judges and by carrying appeals from the Circuit Court directly to the Supreme Court of the United States. This "short cut" through the courts was used in the case of the government against the Coal Trust when the right of the Interstate Commerce Commission to compel witnesses to produce contracts and private accounts was questioned.

These four bills are the latest anti-trust legislation enacted. Early in 1905 the House of Representatives passed by an almost unanimous vote the Esch-Townsend bill, favored by President Roosevelt, providing for the regulation of railway rates. But the Senate did not concur and a long investigation of railway conditions followed.

Up to the enactment of these laws actual results from the anti-trust wave had been few and had been restricted to suits in the courts and injunctions in a few cases against trusts, the chief of which was in the Beef Trust case in Chicago before Judge Grosscup. In 1903, however, the United States Circuit Court of Minnesota declared the Northern Securities Company an illegal combination. Shortly after this the Missouri Supreme Court found the principal packers in the Beef Trust guilty under the anti-trust law and fined five of them \$5,000 each. After this followed thick and fast investigations of the Coal Trust, Standard Oil and several gas monopolies in various states, the enunciation of the doctrine of the "square deal," the Kansas blow to Standard Oil, which resulted from the announcement that that trust would buy no more oil in Kansas, the far-reaching reports and recommendations of Commissioner Garfield and Secretary Metcalf looking to federal control of interstate commerce companies and the hue and cry against John D. Rockefeller's "tainted money."

What the results of this anti-trust movement will be are doubtful. There are two distinct views of the problem: One is that monopoly is essentially wrong and that the trusts which have this monopoly or partial monopoly must be rooted out of existence to make room for a return of the old conditions where the business of the country was conducted by myriads of small traders, small partnership concerns, small corporations, small railways; where small communities were the rule rather than large cities; where the farmer did work



WHERE THE DIRECTORS OF THE UNITED STATES STEEL CORPORATION MEET.

Meeting room in "The Trust Company of New Jersey" building. Here the directors of hundreds of corporations meet at times, and many a large financial deal has been planned in this room.

"on shares" instead of owning thousands of acres of lands; where the ranchman had but a few head of cattle instead of hundreds and thousands of herds.

The other view is that evolution has changed conditions so materially that monopoly is here to stay; that economic methods demand greater and greater combinations both of industrial concerns and of railway corporations; that banking today must be done on the same scale with the enormous growth of

wealth: that to return to the condition where the smaller trader ruled would be as unprogressive as going back to the use of the stagecoach instead of the railway, the pony post instead of the postoffice department, the hand seeder instead of the gang plow and drill, the cradle scythe instead of the steam mower, reaper and binder, the sail boat instead of the ocean greyhound.

The perusal of the following pages will point many conclusions which favor the latter view. The pertinent question therefore arises how best to control the enormous power which rapidly has been concentrated in the hands of such great industrial and financial oligarchies as the Money Trust, the Beef Trust, the Oil Trust, the Railway Trust, the Coal Trust, the Steel Trust, the Copper Trust, etc., etc. Already legislation looking to this control has made fair headway and there is promise for more before President Roosevelt accomplishes his purpose of freeing industrial America from dangers of downright serfdom. With the motto "Business is war," the great captains of industry have given little thought of the serious possibility, now become fact, that there is such a thing as business morality. Heretofore the test of right has been the statute law. If it has not been "against the law" the "big money" of the country has termed it right. Standard Oil recently put up the pitiful plea that "slavery in certain sections of the United States was legal until President Lincoln's Proclamation of Emancipation and rebates on railroads were just as legal until the passage of the Interstate Commerce Act." The implication found here, that slavery was not wrong until it was declared illegal, indicates a peculiar moral standard which would make assault, rapine, theft, burglary and even murder innocent if there were no legal code.

Under the scheme of business ethics as thus defined, the captain of industry could dare to do in his office what he never would think of doing in his home. Under this code, if there were no law, common or statutory, in existence, it would be right for one man to bargain with railroads not only to serve him at a much lower charge than his rivals in business, but to pay over to him the excess collected from those rivals. Under this code the trust manager or "big business" man would be justified in using any available device or practice to annihilate his rival in business and get possession of all his property. Distinctly Standard Oil sets up the new motto "Everything that does not incur punishment for crime is good morals in business."

Here seems to be the gist of the whole fight against monopoly and trust aggrandizement. If the law does not prohibit an act, apparently it is not a wrong. If "big money" is big enough to control the law, as has been shown time and again in legislative bribery, the vicious business ethics suggested in this new motto will be the law of conduct.

President Roosevelt enunciated principles which now are working to overcome such bad business morals when he said, "Neither this people nor any other free people will permanently tolerate the use of the vast power conferred by vast wealth—and especially by wealth in its corporate form—without lodging somewhere in the government the still higher power of seeing that this power is used for and not against the interests of the people as a whole.

"The principles which Lincoln applied to the solution of the problems of his day are those which we must apply if we expect successfully to solve the different problems of our own day—problems which are so largely industrial. Exactly as it is impossible to develop a high morality unless we have as a foundation those qualities which give at least a certain minimum of material prosperity, so it is impossible permanently to keep material prosperity unless there is back of it a basis of right living and right thinking.

"In the last analysis, of course, the dominant factor in obtaining this good conduct must be the individual character of the average citizen. If there is not this condition of individual character in the average citizenship of the country all effort to supply its place by the wisest legislation and administration will in the end prove futile. But, given this average of individual character, then wise laws and the honest administration of the laws can do much to supplement it. If either the business world or the world of labor loses its head, then it has lost something which cannot be made good by any governmental effort. Our faith in the future of the republic is firm, because we believe that, on the whole and in the long run, our people think clearly and act rightly.

"Unquestionably, however, the great development of industrialism means that there must be an increase in the supervision exercised by the government over business enterprises. The supervision should not take the form of violent and ill-advised interference; and assuredly there is danger lest it take such form if the business leaders of the business community confine themselves to trying to thwart the effort at regulation instead of guiding it aright.

"Meanwhile the men in public life and the men who direct the great business interests of the country should work not in antagonism but in harmony toward this given end. In entering a field where the progress must of necessity be so largely experimental it is essential that the effort to make progress should be tentative and cautious.

"We must grow by evolution, not by revolution. There must be no hurry, but there must also be no halt and those who are anxious that there should be no sudden and violent changes must remember that precisely these sudden

and violent changes will be rendered likely if we refuse to make the needed changes in cautious and moderate manner.

"At the present moment the greatest need is for an increase in the power of the national government to keep the great highways of commerce open alike to all on reasonable and equitable terms. Less than a century ago these highways were still, as they had been since the dawn of history, either waterways, natural or artificial, or else ordinary roads for wheel vehicles drawn by animal power. The railroad, which was utterly unknown when our government was formed and when the great principles of our jurisprudence were laid down, has now become almost everywhere the most important, and, in many large regions, the only form of highway for commerce. The man who controls its use cannot be permitted to control it in his own interest alone.

"It is not only just, but it is in the interest of the public, that this man should receive the amplest payment for the masterful business capacity which enables him to benefit himself while benefiting the public; but in return he must himself recognize his duty to the public. He will not and cannot do this if our laws are so defective that in the sharp competition of the business world the conscientious man is put at a disadvantage by his less scrupulous fellows.

"It is in the interest of the conscientious and public spirited railroad man that there should be such governmental supervision of the railway traffic of the country as to require from his less scrupulous competitors, and from unscrupulous big shippers as well, that heed to the public welfare which he himself would willingly give and which is of vital consequence to the small shipper.

"In some such body as the Interstate Commerce Commission there must be lodged in effective shape the power to see that every shipper who uses the railroads and every man who owns or manages a railroad shall on the one hand be given justice and on the other hand be required to do justice.

"Justice, so far as it is humanly possible to give and to get justice, is the foundation of our government. We are not trying to strike down the rich man; on the contrary, we will not tolerate any attacks upon his rights. We are not trying to give an improper advantage to the poor man because he is poor, to the man of small means because he has not larger means; but we are striving to see that the man with small means has exactly as good a chance, so far as we can obtain it for him, as the man of larger means; that there shall be equality for the one as for the other.

"We do not intend that this republic shall ever fail as those republics of olden times failed, in which there finally came to be a government by classes, which resulted either in the poor plundering the rich or in the rich exploiting,

and in one form or another enslaving, the poor, for either event means the destruction of free institutions and of individual liberty. Ours is not a government which recognizes classes. It is based upon the recognition of the individual. We are not for the poor man as such, nor for the rich man as such. We are for every man, rich or poor, provided he acts justly and fairly by his fellow, and if he so acts, the government must do all it can to see that, inasmuch as he does no wrong, so he shall suffer no wrong."



THE "SEARCHLIGHT" BY ROENTGEN "X" RAYS.

It is less than ten years since the announcement was made of a discovery by which pictures could be taken showing the interior of the human body. This announcement was greeted with widespread incredulity—but with experience the public has become familiar with the pictures and the phenomena involved in their production, and the stage of wonderment has almost passed. The discoverer was Professor Roentgen of Wurzburg University, Germany. As the peculiar electric rays generated were an unknown quantity, he designated them by the algebratic term of X—hence the common term of "X-Rays." Is it too much to suppose that with the aid of science the time may come when a man's heart—for good or evil—can be searched and examined by some such method?



JACOB H. SCHIFF,

Of Kuhn, Loeb & Co., one of the largest private banking institutions in the world.



CHARLES S. FAIRCHILD,

Ex-Secretary United States Treasury, a director of the National City Bank.



JAMES R. KEENE,

The World-famous Speculator.



COL. JOHN JACOB ASTOR,

Has a fortune of over one hundred million dollars and is the richest land owner living in America.



WILLIAM ROCKEFELLER,
Of the Standard Oil Company



HENRY H. ROGERS,
Of Standard Oil "system" fame.



JAMES STILLMAN,
President National City Bank, New York.



GEORGE W. PERKINS,
The able partner of J. Pierpont Morgan.

CHAPTER III

WHO OWNS THE UNITED STATES?

New York the Financial Center of Our Nation—Enormous Influence of Twenty-three Men in Wall Street, Composing the Greatest Money Power in America—Two Hundred Millions of Dollars Deposited in One Bank—Fourteen Trusts, Whose Captains Are of the National City Bank Directory, Represent Thirty-eight Per Cent of the Capitalization of All the Industrial Trusts of the Country—Great \$5,000,000 Banks—Power of Trust Companies—World's Saving Deposits.

IN A modest, old-fashioned building in Wall Street, so modest that it seems out of place in the locality of the canon-like streets of America's great financial center, there gather occasionally about a directors' table twenty-three men who all but own the United States. They are the directors of the National City Bank of New York City, the greatest bank of America, and they represent a total financial power of \$11,000,000,000, or about one-tenth the entire wealth of the United States.

It would be incorrect to state that these men arbitrarily could dispose of this vast amount of wealth, but their judgment would go far toward deciding the destinies of the nation in respect to its financial welfare. Indeed, they are almost what public opinion has called them, "money kings," whose subjects in a sense are the people whose savings are employed to carry on the great industries of the country. Their names are known the world over, for they stand for all that is great in finance and commerce. Even the law-makers of the country listen to what they say, for these twenty-three men represent the trusts of America.

Let us glance over the roster of names of this powerful body of men and see who they are and what they represent. This board of directors is composed of:

William Rockefeller, of the Standard Oil company, the most powerful single organization on earth.

George W. Perkins, business partner of J. Pierpont Morgan, the world-famed financier and promoter of trusts and giant corporations.

Jacob H. Schiff of the firm of Kuhn, Loeb & Co., one of the greatest banking houses of the world,—so great, in fact, that within two days it raised sub-

scriptions for \$500,000,000 to supply the Japanese government with the money with which to carry on the war with Russia.

Edward H. Harriman, railway king, president of the Union Pacific Railroad company and many other organizations.

P. A. Valentine, of Armour & Co., representative of the great Beef Trust.

Henry O. Havemeyer, president of the American Sugar Refining company, the Sugar Trust.

John A. McCall, president of the New York Life Insurance company.

Cyrus H. McCormick, president of the McCormick Harvesting Machine company and representative of the Harvester Trust.

Henry C. Frick, steel, coal and coke magnate.

Moses Taylor, vice-president Lackawanna Iron and Steel Co.

Samuel Sloan of the Delaware, Lackawanna & Western R. R. Co.

Stephen S. Palmer, president of the New Jersey Zinc Co.

John W. Sterling of Shearman & Sterling.

James H. Post of B. H. Howell, Son & Co.

Francis M. Bacon of Bacon & Co.

Cleveland H. Dodge of Phelps, Dodge & Co.

Charles S. Fairchild, chairman New York Security & Trust Co.

James Stillman, president; ally of John D. Rockefeller.

James A. Stillman, assistant cashier and director.

Edwin S. Marston, president Farmers' Loan & Trust Co.

William Douglas Sloane of W. & J. Sloane.

M. Taylor Pyne.

Henry A. C. Taylor.

In the hands of these men lie perhaps the greatest money power in America, if not in the world. While they in themselves do not constitute all the so-called "Money Trust," still this bank of banks of America is powerful enough to wield almost unlimited sway in the world of dollars, and does, indeed, make its strength felt often.

New York is recognized as the financial center of the Western hemisphere, for many years to come, if not for all time. It even is fast encroaching upon the position that London has long held as financial center of the world. When, then, it is said that the deposits of the National City Bank amount to nearly \$200,000,000 of the people's money, or over 14 per cent of all the deposits of the fifty-three clearing house banks of New York City, and that it has a capital and surplus of over \$42,000,000, or more than 16 per cent of the entire cap-

ital and surplus of these associated banks, it will be seen what a powerful factor this bank is in Wall Street, America and the world.

But when this is said not all has been stated. For this bank is the head of a group of banks, twelve in number, which are under its influence through close affiliation of boards of directors, of interrelated ownership of capital stock, etc. As center of this banking group the power of the National City, or "Standard Oil Bank," as it is generally known because it is the financial organ of John D. Rockefeller and his lieutenants, is enormous.

Let us put the matter more clearly.

In the United States there are about 14,000 national and state banks, trust companies and private bankers. These institutions control about \$11,000,000,000 of the people's wealth and savings in deposits. Now the National City group of twelve New York banks alone controls one-twentieth of all the power of all the banks in the United States and actually the loans of this group amount to almost half a billion dollars.

But we cannot stop here. The machinery of influence and inter-control goes still further. This influence is not in dollars alone, nor is it confined in any sense to New York City alone. Through the practice of country banks depositing in city banks and all city banks holding some of their money on balance in New York City this money power has become almost supreme through the banking influence alone. But the life insurance company reaches out and absorbs the people's savings to a marvelous degree. This money and industrial influence largely centers in the eastern Money Trust. Still further, as was stated before, the other great trusts of the country, the partial monopolies of great industries, are represented in this money group. Some of the trusts are the United States Steel corporation, or Steel Trust; the International Mercantile Marine, or Ship Trust; the United States Realty and Construction Company, or Building Trust; the Standard Oil Company; Armour & Co., member of the Beef Trust; the Amalgamated Copper Company, or Copper Trust; the Union Typewriter Company; the American Brass Company; the Allis-Chalmers Company; the Colorado Fuel & Iron Company; the International Harvester Company, etc. Fourteen of the trusts whose captains are of the National City Bank directory represent 38 per cent of the capitalization of all the industrial trusts of the country.

Then there is the railway influence. Nearly every part of the nation is touched by a road directly represented by the twenty-three directors of the National City Bank. Principal of these roads are the Lackawanna, the C., B. & Q., the Union Pacific, the Alton, the Missouri Pacific, the Northwestern, the

St. Paul, the Rock Island, the Denver & Rio Grande, the Mexican National, the B. & O., the Northern Pacific, the Southern Pacific, the New York Central, the Texas & Pacific, the Erie, the New York, New Haven & Hartford, the Delaware & Hudson, the Illinois Central, the Manhattan Elevated of New York City and the Rapid Transit lines of Brooklyn.

In New York City there are two other very powerful banks—the National Bank of Commerce and the First National Bank. These two with the National City are the three greatest institutions of the country. If they actually were under one control they would, indeed, be a triumvirate all-embracing. These two other banks in turn have chains of influences in New York likened to that of the National City Bank. The great life insurance companies with headquarters in New York and assets amounting to about a billion and a quarter of dollars and very closely allied with the great banking house of Morgan & Co. come largely under the influence of these two latter banks. This insurance interest makes them almost one family.

There are, then, two great banking families in New York, and on close discrimination there may be three. But what is the relationship between these families? In fact intermarriage has been so frequent that while the two principal families still remain distinct, when the occasion demands they may have a reunion. In this case President Stillman of the National City Bank, as the representative of "Standard Oil" or the Rockefellers, whichever you choose to call it, would sit at the head of the table. The twenty-three directors of this chief bank through their various and far-reaching relations and influences would represent over 350 other banks, trust companies, railroads and industrial corporations whose aggregate financial power may be summarized thus:

Insurance company assets.....	\$1,238,000,000
National and state assets.....	620,000,000
Savings banks assets	272,000,000
Trust companies assets.....	758,000,000
Railroads, capitalization	5,300,000,000
Industrial and miscellaneous corporations, capitalization	2,852,000,000
<hr/>	
Total financial power	\$11,040,000,000

Great \$5,000,000 Banks—More Giant Institutions Than Ever Before.

There are now more banks in the United States with deposits of \$5,000,000 or over than ever before in the history of banking. Statistics at the office

of the comptroller of currency at Washington show no less than 144 such institutions. Naturally New York heads the list, with thirty-one to its credit. Boston is second with twelve and Philadelphia has eleven. Chicago has nine, Pittsburg seven, Cincinnati and St. Louis six each, Cleveland and Baltimore five each, Kansas City, Indianapolis and New Orleans four each; Denver, San Francisco, Minneapolis, Newark, N. J., Detroit and St. Paul three each; Milwaukee, Buffalo, Albany, Omaha, Los Angeles and Brooklyn two each; and Birmingham, Duluth, Dallas, Rochester, Atlanta, Scranton, Portland, Ore., Jersey City, Washington and Pueblo one each.

The leader of all these gigantic banks in the matter of gross deposits is the National City Bank of New York City, the great bank of banks and money representative of the Rockefellers and Standard Oil interests. It has over \$200,000,000 of deposits. The National Bank of Commerce and the First National Bank of New York and the First National Bank of Chicago, with deposits running from almost \$100,000,000 for the last named to over \$200,000,000 for the first, follow closely in the order named.

The growth of the banks with such large holdings of the people's wealth can be traced almost wholly to the marvelous advance in prosperity the country has enjoyed in recent years. In 1900 there were only 115 banks of this class. And even some of those were merged with other banks, making larger institutions.

Following is a table of the twenty-two largest national banks of the country with the amount of their deposits in 1905:



HOME OF THE FIRST NATIONAL BANK, CHICAGO.

This new building, completed in 1905, is built of granite and steel and is fireproof. It is 17 stories in height and covers more than one solid quarter of a city block. An office building of this size houses more employes than there are people in a small city. The First National Bank, owner of the building, is the fourth largest National bank in the country, with deposits of close to one hundred million dollars.

National City, New York.....	\$201,340,000
National Bank of Commerce, New York.....	192,660,000
First National, New York.....	101,650,000
First National, Chicago.....	94,423,000
National Park, New York.....	90,790,000
Hanover, New York.....	89,470,000
Chase, New York.....	61,056,000
Continental, Chicago	52,000,000
National Bank of Commerce, St. Louis.....	50,525,000
National Shawmut, Boston.....	49,150,000
Corn Exchange, Chicago.....	46,000,000
First National, Boston.....	41,200,000
Fourth Street, Philadelphia.....	39,800,000
Philadelphia National, Philadelphia.....	38,900,000
American Exchange, New York.....	38,730,000
Fourth, New York.....	33,350,000
Commercial National, Chicago.....	33,000,000
Nat. Bank of Commerce, Kansas City.....	31,400,000
Mechanics National, New York.....	31,320,000
Bank of New York, N. B. A., New York.....	31,030,000
Girard National, Philadelphia.....	30,750,000
Chemical National, New York.....	30,260,000

*Civilized Nations Report 82,640,000 People Saving up Money for Old Age—
Deposits are \$10,500,000,000—United States Leads with \$3,060,178,611.*

The people of the United States of all classes and of almost every stage of life are notoriously great spenders. Compared with the frugal German and the economic Frenchman Americans cannot be said to be great savers. We as a people are lavish with our expenditures and the Frenchman, who always figures on having a surplus from his income, well may shame us who as a nation have piled up great wealth not by economy, but by the marvelous richness of material resources such as ores in our mines, fertility in our soil and ingenuity in the brains of our people to invent new ways of producing wealth.

Nevertheless, this country actually is the greatest nation of savers, according to the banking statistics, that exists today. For of a total of over \$10,500,000,000 of savings bank deposits of the principal countries of the world the United States claims \$3,060,178,611, or over 29 per cent of all. The number of savings depositors of the principal countries of the world is 82,640,000, of which the United States furnishes 7,305,000, or about 9½ per cent. When it is considered that the figures here compared cover about one-half the population of the world, namely over 770,000,000, it will be seen

how great a factor the United States is in the actual savings of the whole world. Of the total number of depositors, or, rather, deposit accounts, the share of the United States is somewhat less than 9 per cent, while the average deposit per account is more than four times, and the average savings per inhabitant more than three and one-half times, the corresponding averages for the rest of the world.

Let us glance at the following table of the number of depositors, total amount of deposits, the average deposit accounts and the average deposit per inhabitant in all those countries which publish reports on the state of their savings institutions:

	NUMBER OF DEPOSITORS.	TOTAL DEPOSITS.	AVERAGE DEPOSITS.	AM'T PER INHAB'T.
Australia	1,086,018	\$ 164,161,981	\$151.15	\$43.47
Austria	4,946,307	876,941,933	177.29	33.47
Belgium	2,088,448	141,851,419	67.92	20.37
Canada	213,638	60,771,128	289.14	10.99
Denmark	1,203,120	236,170,057	196.29	96.41
France	11,298,474	847,224,910	75.01	21.75
Germany	15,432,211	2,273,406,226	147.38	39.98
*Prussia	9,377,503	1,485,793,500	158.44	43.10
Holland	1,330,275	72,738,817	54.83	13.60
Hungary	1,717,515	432,810,515	251.91	21.92
India, British	866,693	34,656,371	39.98	.15
Italy	6,740,138	482,263,472	71.55	14.52
Japan	7,467,452	40,887,186	5.48	.90
New Zealand	261,948	38,332,823	146.34	49.61
Norway	718,823	89,633,481	124.69	39.94
Roumania	145,507	7,426,031	51.04	1.26
Russia, including Asiatic part	4,950,607	445,014,951	89.90	3.16
Finland	226,894	21,144,278	93.19	7.60
Sweden	1,892,586	151,480,442	80.54	29.14
Switzerland	1,300,000	193,000,000	148.46	62.26
United Kingdom	11,093,469	966,854,253	87.15	22.82
British colonies not elsewhere stated	354,275	32,936,217	92.97	2.78
Total	75,334,398	\$ 7,609,706,491	\$101.01	\$11.00
United States	7,305,443	3,060,178,611	418.89	37.38
Grand total	82,639,841	\$10,669,885,102		

*Not included in the total.

It is interesting to note that in Europe, and even in Canada, the functions of the government in this field are larger than in this country where the state

restricts itself merely to formulating the general legislation pertaining to the subject, sanctioning special charters for the creation of savings banks, and controlling through special officers the workings of these institutions. European governments in many cases have shown greater interest in this mode of popular savings, either by guaranteeing the safety of deposits or by instituting government institutions, chiefly postal savings banks for the receiving and managing of savings deposits. In some countries, such as Russia, Bulgaria and Roumania, the lack of private initiative and the preponderating influence of the state in the entire economic life of the nation have caused the development of public savings banks to an almost exclusive extent. In other countries, such as Germany, Switzerland and France, the local public bodies, such as the communes or cantons, from the very outset invited and fostered the deposits of small savings by establishing municipal savings institutions. Wherever the central government is in immediate, though not exclusive, charge of the savings service, as in the United Kingdom, Belgium and Russia, parts of the deposits are invested in government securities, so that the public savings institutions there serve the double purpose of providing a safe investment for the capital of the less-well-to-do and commercially inexperienced class of the population, as well as of strengthening the public credit of the country by attracting investments on the part of such classes which left to their own initiative might not choose this, or for that matter, any other mode of investment.

The common feature of all savings banks, no matter how organized, is that they are not working for profit, the underlying idea being to make the deposits as secure as possible. This results naturally in an interest rate on deposits considerably below the normal commercial rates prevailing in the respective countries. The figures shown in the foregoing table reveal different degrees of what might be termed the "saving capacity" of the different nations, though it always should be borne in mind that the amounts deposited with savings banks by no means represent the only savings of a nation. Another factor which makes comparisons difficult is the fact that apart from differences in legislation leaving to these institutions a greater or smaller latitude or freedom of investment, the regulations regarding the maximum amounts which may be credited to one individual vary according to country, and that therefore the average size of the savings deposit casts but little light on the general prosperity of the people and the more or less equitable distribution of wealth among them.

The general social conditions of a country, the spread of general educa-

tion and "banking" habits among the masses, existing facilities of communication, the ease and lack of formalities with which savings are made and, last, but not least, the use made by the population of other modes of saving—all these factors have to be considered when international comparisons of savings statistics are attempted. To give but a few examples: The total savings deposits of France, as already seen, appear less than those of Austria, while the aggregate savings deposits of Prussia are shown to exceed those of France by almost eighty per cent. In France savings deposits constitute but a part, and by no means the larger part, of the total savings of the nation. As a matter of fact, the investments of the French people in Russian public bonds during the most recent period only, not to mention the holdings of the enormous national debt at home, according to most conservative estimates, exceed by far the amounts deposited in national savings institutions. In the case of Austria, the figures furnished here are somewhat misleading, since the postal savings banks of that country are engaged in the general banking business and the amounts reported as ordinary deposits exceed those reported under the head of savings.

Great Power of Trust Companies.

Aside from national banks, state banks and private banks, the trust companies of the country form one of the great financial powers, and, indeed, are part of the great power called the "Money Trust." They are not what is known technically as a trust or monopoly, but their name signifies their character. They are in a sense banks which act as trustees under special laws.

Their power, because of the great amount of money they handle, is very great. There are more than 1,000 trust companies in the United States. So rapid has been the development of the trust companies in the last few years, and so largely have they become competitors of the banks and great factors in the money market that there is need of more knowledge concerning them. In the year from June 30, 1903, to June 30, 1904, the increase in the number of trust companies was over 400. Of 958 companies of which accurate account can be had the largest number is in Pennsylvania, where there are 180. New York follows next with eighty, and the eighty companies have resources much greater than those of any other state. New Jersey stands third, Indiana fourth, Ohio fifth and Illinois sixth, the last named having forty-two.

There are trust companies in every one of the states and territories and in the District of Columbia and Hawaii. In numbers the trust companies have grown more rapidly since 1899 than have the banks, although there has been

a remarkable development in the latter, due to the enactment of the law of March, 1900, which provided for the incorporation of institutions of small capital. Since 1899 the number of trust companies has increased 151 per cent, while the number of national banks has increased 49 per cent. In total resources the aggregate of these 958 trust companies is more than \$3,000,000,000, an increase since 1899 of more than 200 per cent.

The character of the business of trust companies differs widely. In some states they are closely connected with savings institutions and state banks, as in Illinois. Elsewhere they may have a business in life insurance. Primarily they were formed to act, as we have said, as a trustee. It is noticeable, however, that more and more they are enlarging the scope of their operations so as to include every kind of banking, following the tendency of the times toward "department store methods." Sometimes they find the easiest pathway to profits in buying and selling real estate and promoting real estate schemes. Actually they thus may become real estate companies with banking branches. This kind of business could not be done by a national bank for it would be against the federal law. Others become fidelity companies, guaranteeing the bonds of individuals and enterprises. Funds placed on deposit in such companies, or held by them in trust, are subject to such heavy risks as fluctuations in real estate values, disastrous fires or unreliability on the part of bonded customers. The commercial banking end of trust companies is the more common, but frequently it is more hazardous than national banking because of the smaller cash reserves that are usually held than those of national banks. Such companies besides discounting commercial paper, etc., frequently embark upon stock speculation—that is, they often join syndicates to buy and sell stocks and bonds, and sometimes big failures have resulted from this sort of financing.

Sometimes trust companies branch out into the most extensive kind of commercial and even international banking. For instance one has developed a business, when such a thing is possible, in shipping gold, a function heretofore performed by banks and private banking firms.

To show the relative power of the trust companies compared with that of the better known form of national banks we give the following statement of resources of 958 trust companies and 5,331 national banks in June, 1904:

	Total resources.	Average each.
Trust companies...	\$3,188,375,397	\$3,120,000
National banks...	6,655,988,686	1,250,000

This shows that while there are over five times as many national banks as trust companies in the United States, the trust companies have about half the



"THE HOME OF THE TRUSTS."

This is a photographic reproduction of the name-plate in the office building occupied by "The Corporation Trust Company of New Jersey," at Trenton, the capital of the state. This company claims more than 1,200 "principal offices" of corporations of other states and with a capitalization of close to four billion dollars. Stockholders meetings must be held within the state—hence all these offices. When you consider that the state chartered nearly 10,000 corporations between 1856 and 1902, you can imagine why the claim is made that New Jersey is selling out the rest of us.

Almost the entire history of the organizing of great corporations is one of commercial and political corruption. The state of New Jersey issues charters to the trusts. The laws of the state are so framed that the citizens pay no state tax, directly. The income derived from the corporations more than pays the expenses of the state government. Mr. Lincoln Steffens, of the editorial staff of McClure's Magazine—who has been investigating commercial and financial problems—terms New Jersey as "a traitor state," and adds: "Jersey shows, plainer than any other state or city, how we are all betraying one another, and that what we Americans lack is representative government—not good government, not privileges, not advantages over one another, but FAIR PLAY all around, and before the law, equality."

resources and the average resources of the trust companies are over twice as great as those of the national banks.

To show the growth of trust company financial power we submit the following statement of resources and number of companies in recent years:

	Number of Companies.	Total Resources.
1904.....	958	\$3,188,375,397
1903.....	581	2,298,554,063
1902.....	417	1,983,214,707
1901.....	334	1,614,981,605
1900.....	290	1,330,160,343
1899.....	260	1,071,525,994

Trust companies are among the greatest investors in stocks and bonds in the country. This is one reason why they are powerful both with the public and in the stock market. Banks which conduct the usual sort of business do not invest much in stocks and bonds, for they need to keep their money in readiness for merchants and others who want to borrow it to carry on other kinds of business. This particular phase of banking is called "commercial." The trust companies' depositors largely are of a class who from time to time use their money in securities, but who have deposited it with the trust companies for safe keeping and for interest pending transactions of their own. "Commercial" banks are criticised for investments of a heavy nature in securities, but this is not so true of trust companies, provided investments are made with due regard to its deposits and not for the purpose of promoting speculative or doubtful enterprises. It may be said that the more the trust companies enter into competition with the "commercial" banks, the more they will be obliged to keep their assets ready for emergency, and the less will they be able to tie them up in permanent investments.

The fact that the trust companies held large amounts of securities during the stock market panic of 1903 was one of the causes of deep concern during that year. With a few exceptions, however, they stood the long liquidation very well. The worst possible phase of this kind of business is where the bank or trust company lends heavily to one borrower or invests heavily in one class of securities. This makes it possible for one failure to wreck the institution.

The extent to which the trust companies of the country are holders of stocks and bonds is but little known. A recent compilation of the holdings of securities by companies in fourteen large cities showed this concentration of power to control nearly \$555,000,000 of stock and bonds. Even the three greatest life insurance companies, the New York Life, the Mutual and the Equitable Life, together hold only a little more than \$100,000,000 in excess

of this amount. They hold about \$658,000,000 of stocks and bonds. So great indeed is this power that the trust companies of these fourteen cities hold almost as many stocks and bonds as those of all the national banks of the United States, when government bonds are not taken into consideration. Following is a statement of the security investments of the trust companies of fourteen large cities of the country:

Greater New York.....	\$236,890,596
Philadelphia	75,809,369
Pittsburg	52,548,300
Chicago	52,199,235
Cleveland	25,052,151
Boston	24,333,188
St. Louis	23,707,558
Baltimore	19,232,541
Rochester	14,858,734
Jersey City	7,208,515
Buffalo	4,919,684
San Francisco	3,260,496
New Orleans	3,131,406
Washington	1,793,245
Total	<u>\$544,945,018</u>

The following comparison shows the trust company investment holdings of fourteen cities and all the security investments of all the national banks of the country, not including bonds deposited to secure bank note circulation and government deposits:

	Investments in Securities.
Trust companies in fourteen cities..	\$544,945,018
All the national banks in the United States	589,241,085

The following is a comparative statement of the security investments of trust companies and national banks of eight leading cities:

	Trust Companies.	National Banks.
Greater New York..	\$236,890,596	\$133,816,080
Philadelphia	75,809,369	30,042,098
Pittsburg	52,548,300	19,059,293
Chicago	52,199,235	13,238,840
Cleveland	25,052,151	3,271,039
Boston	24,333,188	11,724,639
St. Louis	23,707,558	8,662,030
Baltimore	19,232,541	7,780,740
Total	<u>\$509,772,938</u>	<u>\$227,594,759</u>

CHAPTER IV

HOW MANY MILLIONS CHANGE HANDS—THE CREDIT SYSTEM.

Small Amount of Actual Money Needed in Huge Business Transactions—Ninety Per Cent of the Business of the World Done on Credit—How Loans Are Made—The Clearing House—The Cry Against Reserve Abuses—Unjust Distribution of Property and Wealth.

WHEN ONE considers that the wealth of the United States is about \$110,000,000,000 and that the money in the country is only a little more than one-fortieth of this amount—less than \$3,000,000,000—it seems marvelous that this amount should serve in all the business transactions of the nation. Indeed it is necessary that every inhabitant of the country do with an average of about \$31 in carrying on his business. The fineness and complexity of the financial machinery of the country is suggested further when it is considered that, with less than \$3,000,000,000 actual money in circulation, the savings deposits of the country alone amount to \$3,060,000,000 and all the bank deposits of the country amount to about \$10,000,000,000. But if the money of the country is less than one-third the actual bank deposits, let us look further and we shall see that in a year nearly the whole wealth of the country changes hands—and what with? To solve the mystery in one simple word, it is not wholly money with which the world does business but credit. Indeed more than 90 per cent of the business of the world is done on credit.

It is a usual thing to see items in the newspapers speaking of the "money market" or the rates for "money." Former Secretary of the Treasury Lyman J. Gage coined a new phrase recently when he said this should be changed and instead we should use the term "rates for credit." Other authorities have spoken of banks as factories—"factories of credit." Daniel Webster said that commerce could not exist without credit; that credit was the vital air of the system and that it had done more, a thousand times, to enrich the nation than all the mines of the world. The tendency of the times is for the volume of credit transactions each year to grow more rapidly than the supply of actual money.

It is but natural to inquire how this business is carried on and it is

explained simply when it is said that the chief principle of credit is collecting many small sums which are not needed and placing them where they are most needed. When money lies idle it does no one any good. If every one carried the average amount of \$31 around in his pocket the country would stagnate in a very little time, for there would be insufficient money to make all transactions in cash and there would not be enough money piled up any place to be a basis of credit. This leads us to the second principle of credit—that there always should be a liberal amount of actual money held in reserve for emergencies. For there is a time when credit becomes strained and supplies of actual money must be at hand for immediate use.



UNITED STATES MINT, PHILADELPHIA.

This mint is a place of great interest to every visitor who wishes to see how money is made.

Credit today has reached the stage where dealing in it is a fine science. In a word, the business of credit is simply that of lending the use of wealth. It is the banker's business to gather this wealth and to lend it where it will do the most good, for the owner, the banker and the borrower.

The banker is, of course, or should be, an expert in his science. Occasionally a banker may be a knave, but considering all the amounts of money handled each year by the men, their integrity is a monument to them. It would be impossible even to attempt to set forth all the methods by which a banker transacts his business of lending money, but a few of the principles

may be stated. Not only is it the privilege of the banker, but it is his duty, to furnish credit in the community in which he does business. The merchant, farmer, manufacturer or other business man desires to embark upon a certain line of activity which will be good for the community, but he has insufficient ready capital. Other people, perhaps, have more than they can use, but they may not be able to ascertain all the facts concerning the nature of the business man's prospective venture. Here comes in the banker with his special training in the science of credits. When the application for credit is made the banker at once must make up his mind on this question: Has he the ability to earn, and will he pay? It depends upon the kind of business the bank is in whether the loan is made, some banks demanding actual security for loans, others lending on the man's "credit," or ability and disposition to pay. Where a borrower is not well known he may be called upon to give security such as can be sold at once in case the loan is not paid as agreed upon. Mortgage loans, security collateral loans, bill of lading loans, etc., come under this class of credit vending.

How Loans Are Made.

One of the greatest branches of banking, however, is "commercial." This is where a business man has high enough standing financially to "be good" for a certain amount. Such a man has a "rating" by which bankers and other business men know his capacity and disposition to pay. Thus some men may be in possession of a great amount of wealth, but are "poor pay," hard to collect from; while others may be "good pay"—willing to make good their debts if it takes them their whole life time, but are poor earners. Either of these classes make poor bank creditors. In the bank doing a general business the first man probably would be made to advance a mortgage or other collateral, so that the banker would not have to be put to the trouble of suing to recover the amount of the loan when it fell due. In "commercial" banking much of the business is done on simply promissory notes with no assets put up for security. Sometimes the note must have an endorser—one who will stand good for the loan if the borrower does not pay when due. Where there is no such endorsement the note is called "one name paper;" where there is one endorser it is called "two name paper," etc. In determining on the extension of credit to a prospective borrower the banker who lends on commercial paper considers the applicant in this wise:

Honesty: the borrower must be trustworthy beyond doubt.

Business ability: as honesty without business ability is useless commercially this matter must be considered.

Business experience: the banker must judge what risk there is in relying upon the ability and reputation of the borrower to do what he thinks he can do, and past history of the borrower is the guide.

Bank's previous experience: if the man who solicits the loan has failed, it almost always bars him from receiving new credit.

Condition of business: a man's present status reflects his ability and therefore is a guide.

Resources: if these are not put up as collateral security for the loan they are of small importance, though of course they help to gauge the borrower's ability.

People who do not come in touch with great financial transactions marvel at some of the methods of Wall street and other bankers. In courts of law, juries and often the judges do not understand processes that are very simple and clear to the banker. For instance, in a recent report of a hearing in bankruptcy the following statement is found: "That banks loan hundreds of thousands of dollars to customers without any other security than the good credit of the brokers desiring the loan," was the cool admission made by a witness in the hearing. It appeared from the testimony that a well known Wall Street bank had been lending a firm of stock brokers about \$100,000 every day without security and without interest. To the layman this seems a marvelous operation in finance. To Wall Street, however, there is nothing strange or startling about such a transaction. It was simply every-day business between bank and broker. In such dealings the broker agrees to keep a certain daily balance deposited with the bank. The bank in return agrees to give the broker a daily loan of a certain amount, this loan being credited to the broker's balance and upon this he can draw checks in payment of securities which he may buy during the day. The broker's account is closed and balanced each day, and each day his agreed balance must be made good. The broker gains by being able to have his checks promptly certified. The bank gains by obtaining the use of the broker's daily balance with which it can make profitable loans. Practically the bank buys the deposits of the broker by giving him certain facilities which he needs in his business. The fact that no security is required for such loans other than the firm's note is not unusual. There can be no better security ordinarily than the good name of a firm doing an active and legitimate business. The fact that no interest was required is not surprising in view of the fact that in return for these facilities the bank obtained continuous use of the broker's balance without interest.



Photo by Carl L. Anderson, C.

INTERIOR VIEW OF THE CHICAGO CLEARING HOUSE.

This is an especially fine flash-light photograph—the most difficult feature of the photographic art. In every large city there are "Clearing Houses," a part of the banking system that is but little understood by the layman. The idea of a clearing house is to facilitate the exchange of accounts between banks without the use of actual money. Every bank having representation is required to deposit indemnity to protect the association. Business begins at 11:30 and ceases at about 1 P. M. On the outside of the railings you will note the messengers from the various banks. The operation is simple. Each bank sends to the clearing house all checks and drafts which they hold that have been drawn on other banks belonging to the association. The clearing house certifies to the exchange of accounts between the different banks, and thus an equalization of accounts running into thousands upon thousands of dollars is made without the exchange of actual money.

It is but natural when one considers the size of the credit transactions of the country or the world that doubt should arise over the freedom of this business from fraud. It will be found upon examination, however, that not only in banking, but in general business, credit is extended very liberally and generally. It is estimated that in the sale of merchandise alone credit is extended by business men to the amount of \$70,000,000 and so careful are merchants in this line of business that losses average only about $1\frac{1}{4}$ per cent.

The Clearing House.

One of the greatest factors for extending business today is the bank check method. Time was when every man saved his own money and paid in currency. As has been shown in the foregoing, such a thing would be impossible today. It is altogether probable that had not the system been invented by which money could be deposited in a bank and be drawn against by check, business would not have gone forward by the great leaps and bounds with which we are familiar. There was a time even when every checking transaction necessitated the use of money. When the check was paid, money had to be handed over by the bank unless the check was deposited back in the same institution.

Soon, however, there developed a system by which this was almost entirely done away with. This was the method called clearing. In most of the principal cities there are associations of the banks called "clearing houses." At regular intervals clerks from each bank in the association meet at the clearing house with all the checks the bank has received against other banks in the association. By an ingenious method the checks are passed around to the debit banks so that a great many will cancel each other. That is, one bank may have received checks drawn against each of three other banks, and in turn the three other banks may have received checks drawn against the first named bank. If these checks happened to be for the same amounts they would cancel each other. No money would change hands, yet the transactions in business for which the check payments were made would have been effected just as well as if actual money had been used. When many banks are members of a clearing house and the transactions are very intricate nearly every bank has to pay or receive a balance in currency because the checks will not cancel against each other. It is usually the case, however, that enormous business can be done with little money. For instance, in 1901, the New York Clearing House exchanges amounted to \$77,020,672,493 and the actual cash balances paid to transact this enormous volume of business were only \$3,315,037,741.



SCENE IN A GREAT BANKING HOUSE.

The photograph shows the splendor of architecture and decoration in a large bank. There are many banks in the great commercial centers organized with cash working capital ranging anywhere from three to twenty-five millions of dollars.

This means that nearly \$74,000,000,000 in one year was done without actual cash, in fact by mere credit and bookkeeping. This method is such a labor-saving device that in one day, May 10, 1901, after the celebrated Northern Pacific panic on the New York Stock Exchange, the New York Clearing House did \$598,537,490 in business with only \$23,873,115. One day in May, 1902, the Chatham Bank of New York settled exchanges amounting to \$1,323,694 with an actual cash transfer of only ten cents. An average number of checks passed daily through the New York Clearing House is about 500,000. That it would be impossible to carry on modern business now without the machinery of the clearing house system is an undisputed fact.

It seems probable that the present banking system is here to stay, for business in the use of checks and clearings is increasing everywhere. In the year 1904 the clearings of the London Clearing House increased more than \$2,000,000,000 over the year 1903. This was due principally, according to competent authorities, because the public has recognized the greater safety and facility afforded by the banks for people of even small means. In New York the bank exchanges from 1900 to 1904 increased \$16,000,000,000.

National Banking System.

The National Banking System of the United States is one of the great cogs in the credit machinery of the country. It is based on the old principle of using idle funds where they will do the most good in business. It is comparatively easy to organize a national bank, any set of men having \$25,000 capital being able to start one in a town of not more than 3,000 inhabitants. Where there are not more than 6,000 inhabitants \$50,000 capital is needed; 50,000 inhabitants need \$100,000 and over that \$200,000 or more may be used as capital. Permission is granted by the government on application of five individuals, corporations or firms or associations not being eligible. One-half of the proposed capital stock must be paid in in cash before the government will issue a certificate of organization. Promissory notes will not do. As soon as the certificate is issued preparation must be made to pay in the rest of the capital, this balance being due in not more than five installments of 10 per cent each, one at the end of each thirty days after grant of authority to begin business is issued.

Every national bank must keep on deposit with the United States treasurer interest-bearing government bonds to protect depositors. The necessary amount of bonds of a bank of \$150,000 capital or less is one-fourth of the amount of the capital, while for capital over that amount the minimum is \$50,000. It

is necessary that at least three-fourths of the directors of the bank shall reside in the state or territory where the bank is located. Any stockholder who is a citizen of the United States owning ten shares or more of stock is eligible as a director, provided the stock is not incumbered.

One of the chief privileges of a national bank is to receive deposits of the government funds not held in Washington and to issue bank circulation or bank notes. Both the privileges are safeguarded by deposits of government or other approved bonds with the government at Washington. Every national bank may issue circulation to the amount of its paid-in capital. The amount of bonds to secure this circulation (and these bonds must be United States Government bonds) must be equal to the face value of the amount of notes issued. This deposit of bonds is in order to insure payment of the notes on demand. If a bank fails to redeem any, the Comptroller of Currency is empowered to appoint a receiver to sell the bonds and redeem the bank's outstanding circulation. A national bank note is not legal tender, is not receivable for customs duties, is not good tender for payment of interest on the national debt and is not counted in the reserve of a national bank. Otherwise national bank notes serve as ordinary money. The profit in a national bank issuing bank circulation is in the difference between the amount of interest it can earn by lending this money out in the credit market and the cost of the bonds, interest, etc. The same holds true in banks having on deposit, secured by government or approved bonds, funds of the nation. The reason that the government has money in the national banks at all is that it is not good to hoard money in the Treasury at Washington. Money is made for use among the people and the banks are the most serviceable agents in getting this money back into circulation. Banks that put up bonds and secure such government funds are called Government Depositories.

One of the principal regulations of the national banking act is that provision by which a reserve fund shall be kept on hand in order to protect depositors who need to draw out their money. It is of course, as has been pointed out, the province of a bank to collect deposits and to lend them. It has been found that of the millions of money changing hands much of it is in credit and not actual money, yet all these transactions are done in the faith that the money is there if needed. It is also found that the amount necessary to safeguard the depositors, save in times of panic, is very small.

The law provides that in the country banks a reserve of only 15 per cent must be held, and only two-fifths of this need be kept in their own vaults, the remainder being privileged to go to banks in a Reserve City or a Central

Reserve City. Central Reserve Banks must keep 25 per cent of the net deposits on hand in their own vaults. Reserve Banks must have 25 per cent in reserve but they have the privilege of depositing one-half of this with a bank in a Central Reserve City. The Central Reserve Cities are Chicago, New York and St. Louis. The Reserve Cities are: Albany, Baltimore, Brooklyn, Boston, Cincinnati, Cleveland, Columbus, Dallas, Des Moines, Denver, Detroit, Dubuque, Houston, Indianapolis, Kansas City, Kan.; Kansas City, Mo., Lincoln, Los Angeles, Louisville, Milwaukee, Minneapolis, New Orleans, Omaha, Philadelphia, Pittsburg, Portland, St. Joseph, St. Paul, San Francisco, Savannah and Washington.

Cry Against Reserve Abuses.

The national banking system often is not understood because of some of its complexities. There has been a good deal of criticism against it by malevolent persons who have charged that the government should not favor the national banks. It remains a fact, however, that very little money is lost through the failure of national banks, either through swindle or through bad business judgment. A system of handling the great credits is necessary and as yet the lawmakers of the country have devised no better method.

One thing against which critics have railed most is the "pyramiding" of reserves. We have seen how a country national bank may lend all but 15 per cent of its deposits. Even three-fifths of this can go to an approved agent in a Reserve City. Now the bank in the Reserve City may lend out the greater part of this reserve of the country bank, because it itself, needs to keep only 25 per cent reserve on all deposits of all and even half of this may be sent to a Central Reserve bank. What is the result? Wall Street banks, being the largest and most powerful and in the most influential of the Central Reserve Cities, attract balances from almost every bank in the country. It is often necessary for banks in other cities to do business with New York and therefore it is easier to have money on deposit there. The huge banks of Wall Street constantly offer inducements to banks of interior cities to deposit with them. Under the reserve provision of the National Banking Act it will be seen that reserves, supposed to be held intact to support deposits, drift to the Reserve or Central Reserve Cities and are loaned out to within a very small portion of the original percentage. Critics of the system say that while the money withheld for reserves is kept out of local circulation, the method of permitting banks to deposit portions of the reserve with banks of other cities

serves to give Wall Street the benefit of millions of dollars to lend out which really are supposed to be held as reserves. To show how this works it may be said that in the year 1904 the lawful money reserves of all the national banks of the country increased \$55,000,000. The gain in lawful money reserves of the national banks of New York City during the same time was \$24,000,000. To bring it down to a more centralized comparison, the gain in lawful money reserves of the four great national banks of New York—the National City, the National Bank of Commerce, the First National and the Chase National banks—in the same period was \$20,600,000. Thus 85 per cent of the gain of reserves of New York City and 38 per cent of the entire cash gain of all the



HAULING INGOTS OF SILVER BULLION IN THE PHILADELPHIA MINT.

national banks of the United States were by these four banks. As yet no serious accident has resulted from this concentration of national banking reserves in New York to be lent out for the benefit of big financiers, for it has been found that, except where fright occurs, a very small amount of reserve is necessary. It is generally the case that if money is needed badly in one place it can be drawn readily from the bank where the reserve has been deposited. It is only where many people and many communities are disturbed at one time that withdrawals are general. Then withdrawals may strain credit so that sometimes panics ensue.

When disturbance arises in the money market the government, because it

is responsible in a great degree for the banking methods of the country, frequently comes to the aid of the financiers. This is done in several ways, but all methods lead to a release of money held in the vaults of the National Treasury so that the people will have the use of it. One way has been to purchase government bonds to retire them from circulation. This is done by the Secretary of the Treasury calling in the bonds at a given price. If the money is badly needed the bankers will buy up a lot of the bonds and exchange them for cash, which in turn can be lent out where it will do the most good to general business. Another method often used is to deposit a large amount of money in the aggregate among a number of national banks on government bond security. In the fall when the farmer needs money to move his crops this is a customary method. Then the government does not send the money to Wall Street or to the big reserve centers, but directly to the small banks in the agricultural districts. Not only does this frequently check great uneasiness, but naturally it helps, by restoring confidence, to keep money rates down to a normal level where the average business man will be able to get accommodations without being cramped to pay for them.

Nevertheless severe criticism has arisen against the method of depositing reserves in Central Reserve Cities to the degree that permits Wall Street to profit more than any one else. One critic recently said:

"Money in circulation was below \$14 per head of 35,000,000 population at the close of the civil war, in 1865, but is now over \$30 per head of 80,000,000 population. *The natural flow of so great an increase should have furnished the only source of supply to the money market.* These malign permissions thus *by indirection* override natural demand and supply and constitute a preference in law for the use of money and credits based thereon. No law could be enacted to *directly* accomplish this end. Wall Street gets the lion's share and by this means has the country at its mercy, through capitalistic juggles. Hundreds of millions of dollars of loans,—not in national banks only,—have grown from the reserve *there* disbursed, and without which the great "watered" capitalizations could not have been "floated," which oftentimes tax the very necessities of life, to earn dividends on the "water."

"Artificial persons (corporations) or those who control them have thus preyed upon the people by methods which natural persons, however numerous associated, can never collectively exercise, and made the creator secondary and tributary to the creature. The permissions have converted the plain demand of the law to its very opposite, and instead of the reserve being faithfully held for the only justifiable purpose of law in compelling the money to be with-

held from local public use, viz.: to protect depositors, they are made a tender for speculative money supply, and basis for illegitimate ventures. Money is the life blood of all undertakings, and the measure of all values. Labor, industry, and property are all gauged thereby. It should therefore circulate without favor or impediment of law.

"President Roosevelt advocates 'a square deal for every man, no less, no more.' How is a square deal possible under these permissions of law? Again he says, 'Ours is not a government which recognizes classes.' That in a sense is true, but had he said, 'Ours is not a government which creates classes,' it would not be true. This great monetary discrimination creates an un-American favored class, and provides for the already rich a special path to greater fortunes. Means, opportunity and incitement, have been thereby provided for people of small means to risk their all on narrow margins, and for the already rich to exploit the great industries and products of the country by trusts, combines, corners, and false capitalizations, for their further enrichment.

"National law which thus enables unjust distribution of money, thereby enables unjust distribution of property and wealth. If the reserves now withheld are too great to be everywhere kept intact in money for security of depositors, let the required percentage be reduced. Rich indeed is our country, and great its seeming prosperity. But multi-millionaires, and their colossal fortunes acquired as by a magician's wand, attest unjust law to be their foundation. Belief in the goodness and Fatherhood of God forbids the idea that He creates men with such disparity of brains.

"In vain will righteousness and justice between man and man be inculcated, so long as this root of unrighteousness and injustice imbedded in law, continues to widen disparities and ripen its fruits of prodigal wealth and luxury on the one hand and hardening conditions of living and progress in the world on the other. Substantial repeal of the permissions was recommended by Comptroller Dawes in his annual report December, 1900, to Congress, in which he discussed the danger, which had made itself apparent years before, of continuing the practice. Even a gradual repeal, first making it apply only to Philadelphia and Boston banks, would probably distress Wall Street. But there is a consideration more important to the people of this country than regard for stimulated Wall Street prosperity, viz.: Equal laws, and public justice. Without these, liberty itself will fail."



COMMODORE CORNELIUS VANDERBILT,
Founder of Railway and Steamship Lines and
the Vanderbilt Fortune.



WILLIAM WALDORF ASTOR,
Now a citizen of Great Britain, but the richest
owner of United States real estate.



WILLIAM K. VANDERBILT,
Present Head of the Vanderbilt Interests.



RUSSELL SAGE,
The Famous Financier.

CHAPTER V

PERILS THREATENED BY THE MONEY TRUST—THE DANGER OF BANK CONCENTRATION.

Nearing the Parting of the Ways in the Field of Modern Banking—A System of Federation or Brotherly Alliance a Probability of the Future—Fears that Aggregation of Capital May Become More Powerful than the Government Itself.

It is generally believed at the present time that the world, and especially the United States, confronts a great change in banking. The banking system of the United States is based on the principles of liberty and independence. Practically any one in this country can establish a bank, either under the national or state law, provided he has sufficient capital and can comply with the other necessary but moderate requirements of the laws.

As a result of this free system there are nearly 14,000 banks in the country. But the independent banks, like the small trader in competition with the industrial "trusts," have learned that their stability and business are best promoted by co-operation, and hence there has developed a large measure of federation between them. The organization of clearing-houses and of banking associations throughout the country for the purpose of facilitating business transactions, and notably the issuing of loan certificates by associated banks to help out feeble brother institutions in time of panic, have all been measures of alliance for protection of the small banks.

Developments which have resulted in such marvelous concentration as that seen in New York City under the lead of the "Standard Oil" or National City Bank suggest to many observers that in the not far-distant future there will be only a few giant banking institutions in the leading cities, with branches scattered all over the country. Others believe that fraternal federation will result in the establishment of an immense central government bank of reserves, similar to the Bank of England, to which all the other banks of the United States will be subordinate.

If this is true, then we are near the parting of the ways in the field of modern banking. On the one side there is independence—so loved by all

partisans of square dealing; on the other, concentration. On the one side there is a system of federation or brotherly alliance; on the other there is dangerous monopoly.

It is plain that each system has its advantages and its evils; its points of strength and its elements of weakness. Carried up to a certain point concentration may be economical and advantageous to the whole country. It is to be desired that interest rates shall not be so high when money is needed by the farmer or planter to move his crops or for the merchant or manufacturer to carry on his business, that commerce shall suffer by monopoly power.

Doubtless it would be dangerous to put the money market of the country in the hands of a few bankers for good and all. On the other hand, in modern and improved business, it is plain that it is unwise to diffuse the power of making interest rates among thousands of bankers, so that the borrower of money in Texas may have to pay as high as 10 per cent, as has been the case some years, while New Yorkers could get loans for 2 or 3 per cent. The chief danger at present is that the tendency towards concentration will be carried too far and that it will put the credits of the country too largely under the control of men more concerned in the operations of the stock market and Wall Street than in the legitimate commerce of the country.

Not only is the government exercising a jealous care over this tendency toward absolutism in the "Money Trust," but all fair-minded writers and financial critics are pointing to the danger, not of the mere growth of big banks in proportion to the expansion of the wealth of the United States, which is healthy and to be expected, but of bringing about a condition where the "money kings" will actually be what some people think them to be already, actually all powerful.

Bigness alone does not mean that the banking methods of today are dangerous. Bigness, in fact is one of the developments of the age. Not only in the United States, but elsewhere, there are powerful groups of great banks that are rapidly absorbing each other. The Deutsche Bank of Berlin, for instance, heads a group of banks with \$205,000,000 capital, and there is another group in that city with \$81,000,000 capital.

In other countries there are similar institutions and groups of powerful banks whose very growth speaks an apparent necessity for expansion in the growth of general industrial conditions. More and more, as great corporations arise, the old style, conservative, "commercial" banking gives way to "financial" banking, and herein lies one of the gravest dangers in the banking concentration of recent history. The day when the smaller merchant or trader bor-

rows on his promissory note the money needed in his business is not wholly passed. Indeed the greatest corporations still have access to the commercial paper market. But obviously, with the growth of the "trusts," borrowed money comes largely from gigantic bond issues and new capital from "watered," or possibly "unwatered," stock issues.

The banker who heretofore has done a "commercial" business—that is, lends money to merchants, rather than backs corporations by underwriting the securities or lending on them—is the banker upon whom the commercial community depends for aid in the usual walks of business life. It is not intended here to imply that banks throwing the weight of their prestige and resources into the field of speculation, promotion and investment do not perform their just and valuable functions. Many a railway would not have been built had not banking interests come to the aid of promoters.

The distinction, however, between "commercial" and "financial" banking must be sharply defined. For instance, let it be assumed that marginal speculation in stocks is to continue and to be aided by our banking institutions. One of the principal assets of the banks in time of money panics, when the mercantile and commercial houses of the country are in need of assistance from the banks in order to keep business and prosperity alive, is found to be a mass of securities. Unencumbered and valuable as they are supposed to be for redemption into ready money with which to meet crying demands, actual practice proves they are of little ready service.

A page taken from recent financial history shows that when a money pinch came on in the fall of 1902, banks were largely loaded up with security collateral. When business of the country suffered from enormous liquidation the banks in almost no degree took their stocks to market in order to free capital for other commercial needs. Loans out on security collateral were called in and the owners had to sell their stocks in a declining market in order to meet their loans. But the banks rather than cause further panic by adding their holdings to those in process of liquidation, bought more in time of financial peril, thus still further tightening money supplies and adding to the weight of liquidation upon the country. Indeed in the last thirty years the banks have increased their holdings of securities from a modest amount to about \$500,000,000.

We have seen what the tendency is among members of the Money Trust to work together. This affiliation through the quest for dollars in "high financial" operations has developed, as is shown later in this volume, at a class spirit that makes even competing money interests fight side by side when opposed by a

common foe. So great are the profits along the line of risky promotion and speculative financiering that frequently they have tempted bankers from the path of virtue even as viewed in the light of "high financial" ethics. Frequently, therefore, we find the tendency for a development of banking methods which in themselves impair the old fashioned moral code of "Honesty is the best policy." It is not beside the point to say that the bank president whose business it is to be a frequent member of speculative syndicates is tempted to turn it quickly and easy, though doubtfully honest, dollar by using his wards' deposits for the purpose of personal speculation. Of course this amounts to nothing by barefaced peculation. Still, small as the hazard of modern banking is in this direction, the danger in some measure can be laid to the door of "high finance" banking.

What the outcome of both expansion and the tendency to embark further on the sea of "financial" banking (and the former is due largely to the latter) is not clear. It appears quite logical, however, that a day must come when the banks whose business it is largely to serve the Wall Street speculative and underwriting constituency must be equipped with resources specially adapted to this sort of business, leaving "commercial" banks to their particular field.

The Wall Street Journal, a paper published in the interests of the capitalists in the heart of the country's financial center, points out these dangers in this manner:

"What is taking place is a concentration of banking that is not merely a normal growth, but a concentration that comes from combination, consolidation and other methods employed to secure monopolistic power. Not only this, but this concentration has not been along the lines of commercial banking. The great banks of concentration are in close alliance with financial interests intimately connected with promotion of immense enterprises, many of them being largely speculative. The bank credits of the country are being rapidly concentrated in the hands of a few bankers, who are more interested in banking on its financial [watered stocks, etc.] side than in banking on its commercial side.

"Such concentration as this is dangerous in a political sense. The people have already been greatly disturbed by the concentration that has taken place in the industrial world, and the fear that these aggregations of capital would become more powerful than the government itself has led to the enactment of statutes like the Sherman anti-trust law and to measures like that of the suit against the Northern Securities Company [the great railway merger of the Northwest]. But concentration in the industrial world is a far less menacing

condition than concentration in banking. The men or the set of men who control the credits of the country, control the country. And, if this concentration continues at the rapid rate with which it has progressed in the past ten years, there will surely come a time when the people, alarmed at the growth, will rise up in some vigorous measures to assert their power. Such an uprising would involve the most serious consequences and would likely be carried to the most unreasonable limits. Yet there can be no doubt that further concentration of banking power in New York is the end in view of some of our leading bankers. They believe that there will be a further reduction in the number of banks, and of a further increase in the power of the big banks. That is one reason why this banking concentration needs to be studied and its consequences carefully weighed.

"But there is still another reason why this development in modern banking is open to criticism. It is largely a departure from commercial [legitimate] banking. It is turning the power over the bank credits into financial [stock promotion] channels. So long as the country is prosperous no immediate danger may be apprehended from such a development as that. Moreover, no one can question the extraordinary ability in which these institutions are controlled, nor the intention of their officers to operate them on a policy that will secure them against any possible disaster. But it is always the unexpected that happens, and our panics are commonly ushered in by some unforeseen calamity, and it is a fair inquiry to make whether banking conducted on a 'department store' principle, with credits concentrated in a few great institutions, and with these institutions having large interests in financial and speculative enterprises, would be in a position in such a moment of unexpected calamity to do more than to protect the financial and speculative interests with which it is allied. In such a contingency what protection would be left for the great commercial interests of the country?

"'There has been a congestion of money in New York,' said a report made to the recent convention of Illinois bankers, 'which leads to unwise speculation and creates conditions resulting in unstable and fluctuating rates of interest.' To this condition banking concentration contributes."



JAMES H. KYDE,

Vice-President of the Equitable Life Assurance Society and owner of a majority of its capital stock.



JAMES W. ALEXANDER,

President of the Equitable Life Assurance Society.



GEORGE GOULD,

Head of the Gould Fortune.



JOHN A. McCALL,

President of the New York Life Insurance Co.

CHAPTER VI

THE LIFE INSURANCE TRUST, ONE OF THE GREATEST FINANCIAL SCANDALS OF THE AGE.

Money Power of Life Insurance Companies—How the People's Savings Are Used for Trust Promotions and Other Speculative Enterprises—The Scandal and Jealous Strife for Control of the Enormous Holdings of One Company—Who Owns the Surplus?—Gleanings from the Committee Report.

IT is doubtful if a very great number of the thousands of people who have invested in life insurance realize the magnitude of the power of the insurance companies, or that next to the banks these institutions control more of the savings and wealth of the country than any other single combination of financiers. But such is the astounding fact.

Today the total assets controlled by the life insurance companies of the United States amount to at least \$2,500,000,000, while there are at least 25,000,000 life insurance policies of all kinds now outstanding in this country. When it is known that there are only 7,305,443 people in the United States with savings bank deposits to their credit and that the total of the savings-deposits is \$3,060,178,611, while all other kinds of bank deposits bring the total deposits controlled by the banks of the country up to about \$11,000,000,000, it will be seen what a great factor are the small savings which the people contribute to these insurance concerns.

The great interest which has developed of late in the affairs of the insurance companies is due largely to the remarkable growth of the institutions. With 25,000,000 policies outstanding, many of them, of course, representing several policies on the life of one individual, nearly every person in the United States is directly interested in life insurance. If each person in the country is not insured himself, doubtless some relation near enough to him has invested in this sort of a saving institution to make it worth while knowing what this great aggregation of financial power is and how it acts and uses its power.

That this interest has been so lively that the whole country has to some extent made an investment in insurance is shown by the figures which indicate the growth of this financial power in the last twenty-five years. In 1880, when life insurance was not so well known and well tried as now, the assets of

all life insurance companies of the United States amounted to \$452,000,000. This was 1.07 per cent of the wealth of the country at that time—\$42,000,000,000. Today, with the wealth of the country increased to \$103,000,000,000, life insurance assets have rushed up to \$2,500,000,000, or 2.42 per cent of the nation's wealth. The gain in the wealth of the country in 25 years was 145.2 per cent; but the gain in life insurance assets was 454.2 per cent.

This is an extraordinary statement, but it is true. And, furthermore, as startling figures can be brought forward to show the rate at which the annual income of these insurance companies is growing. In 1904 the income of all companies of the country was nearly \$600,000,000. In the fiscal year of 1904 the government of the whole United States had an income of \$684,000,000, or only \$84,000,000 more than the life insurance companies operating under this government.

How rapidly life insurance assets have increased in the United States is shown by the following table, giving the total assets in five-year periods from 1880 to 1905:

1880.....	\$ 452,000,000
1885.....	551,000,000
1890.....	770,000,000
1895.....	1,159,000,000
1900.....	1,742,000,000
1905.....	2,500,000,000

It is of interest to compare this growth with the estimated increase in the wealth of the country since 1880. This is shown by the following table:

	Wealth of Country.	Life Insurance Assets.	Per Cent of Assets to Wealth.
1905.....	\$103,000,000,000	\$2,500,000,000	2.42
1880.....	42,000,000,000	452,000,000	1.07
<hr/>			
Increase.....	\$61,000,000,000	\$2,048,000,000	
Per cent of increase	145.2	454.2	

It is not wonderful then that there is a great awakening in interest of the people whose savings are building up these companies so rapidly that the financial power of the combined concerns almost exceeds that of the government. But what the people want to know is what is being done with their savings, how their assets are being invested, what the expenses of running the companies are and what ethical and economic principles underlie insurance.

The force of all this money power lies principally with what are called "old

line" insurance companies. Not counting fraternal organizations and lodges which provide insurance for their members there were in 1905 eighty-five insurance companies in the United States. These companies have outstanding \$12,535,000,000 of insurance, divided into nearly 21,000,000 policies. In 1901 the outstanding insurance was only \$8,581,000,000 divided into about 14,325,000 policies. This growth in five years was about 6,592,000 policies and \$3,954,000,000 in insurance.

Of this enormous total money power nine companies, which do both industrial and life insurance, control 16,383,000 policies and \$2,978,000,000; in 1900 these companies controlled 11,223,000 policies and \$1,785,000,000 of insurance. Industrial insurance is in small amounts, policies averaging only \$142 each, while other, or ordinary, insurance policies average \$2,011 each. When proper allowance for industrial insurance is made it is found that, while about 75 per cent of the number of policies are accounted for in the industrial companies, the amount of insurance in force is only about 17 per cent of all insurance. Of the eighty-five insurance companies twenty-two each have outstanding policies of more than \$100,000,000 each. In all these twenty-two have outstanding 19,214,000 policies for \$11,197,000,000, as against 13,198,000 policies for \$7,854,000,000 in 1900. Thus all but 1,613,000 policies of the 20,827,000 and all but \$1,338,000,000 of the \$12,555,000,000 insurance now outstanding are controlled by the twenty-two leading life companies.

But let us carry this comparison of almost fabulous wealth influence still further. The six biggest companies of the United States, as measured by the amount of insurance in force, are the New York Life, the Mutual Life, the Equitable Life, the Metropolitan, the Prudential and the Northwestern. All but the last named carry each a total of insurance in excess of \$1,000,000,000. The New York Life has reached the \$2,000,000,000 mark and the Mutual, the Equitable and Metropolitan each have about \$1,500,000,000. These six companies together have \$8,207,000,000 in force and all the other seventy-nine companies have only \$4,327,000,000. Thus about two-thirds of all the life insurance in force in the United States is carried by the "big six." And over 40 per cent of it is carried by the "big three," the New York, the Mutual and the Equitable.

It was in the last named—the Equitable Life Assurance Society—that early in 1905 there broke out, through jealous strife for control of the enormous holdings of the people's savings, the worst financial scandal perhaps the financial age has ever known. The "row," for in the charges and countercharges of vicious financial methods made by the giants that were fighting for the control of \$487,-

000,000 assets of the company (securities which had been purchased with the savings of nearly 600,000 policy-holders) the scandal descended into the very gutters of villification.

It all came about because Vice-President James Hazen Hyde, the son and heir of Henry B. Hyde, the founder of the Equitable, gave a fancy party to the celebrated French actress, Mme. Rejane. There were other things, but this dinner, where \$100,000 was said to be spent for lavish entertainment and where, according to report, the actress danced the "can can" for the entertainment of Mr. Hyde and his guests, brought the company before the community in such a bad light that President James W. Alexander, bosom friend of the vice president's father and trustee of the stock of the Hyde family, determined to force the young man from his position.

This, at least, was the newspaper talk at the time of the great scandal, but a multi-millionaire who was interested in the fight said to the writer that "while young Hyde was very foolish, Alexander had planned for some time to deliberately secure control of the company." It was for this reason, in part, that when serious charges were made against Hyde, countercharges were made against Alexander and that many big financiers sided with the young vice president. But in order to understand the matter it must be shown how actual control of such a great institution as the Equitable was held.

At the time this row came up James H. Hyde was only 29 years old. His father, who had founded the company in 1859, capitalized the institution for \$100,000. At that time the concern was managed by those who owned this stock, the policy holders sharing in dividends and profits about like those of other companies but not having the right to vote and say what should be done in the management of the society. When Hyde, senior, died he left about 60 per cent of this stock to his son, who became vice president of the company. The society had become very powerful and prosperous. Life insurance had become a method for people of small means to save their money. The assets of the society grew to such an extent that new capital stock was not needed to run the company, for the money of the people was sufficient. In time this grew until today the company owns about \$478,000,000 in securities. Of this the policy holders could claim \$333,000,000 and the stockholders about \$81,000,000. It will be seen, then, what great power was centered in stock left to young Hyde, for \$60,000 worth controlled the company and therefore controlled \$487,000,000 of investment securities.

So serious a test for any young business man was this power that the senior Hyde left to President Alexander the trusteeship of this controlling stock until

his son James H. Hyde should reach 30 years of age. It will be seen, then, that when the row broke out Alexander had but one year to remain in power, unless he could get Hyde's consent. If an ulterior motive were desired it could be possible to say, as in fact it was said, that President Alexander wished to discredit the young vice president before the financial world in order to force his resignation and then change the voting power of the company so that Alexander would continue in control after Hyde reached 30 years of age. Whether this be true or not, the war that resulted went so far that many of the nooks and crannies of the world of finance, generally so dark that none but the "insiders" could know what was there, were explored by the business searchlight.

In the first place President Alexander declared that it was not just to permit a condition which did not allow nearly 600,000 policy holders of the company a voice in the management of their \$487,000,000 of savings. To that end one of humanity's pleas for the "square deal" arose in the demand by the president that the company be mutualized—that is that, whereas before the officers and directors were elected by the vote of the stockholders (really one man, James H. Hyde's representative), now every policy holder should have a vote at election. Inasmuch as other big insurance companies have this method of voting, the Hyde party conceded to this demand. But this was because it was expected the policy holders could be controlled as easily as the stock. The stumbling block to peace terms was the enormous surplus of about \$81,000,000, which under the law was owned by the stockholders, hence by Mr. Hyde and a few others. It was feared that the Alexander party had designs on this vast fortune; hence Hyde decided to fight.

On the board of directors of the Equitable Life were some of the greatest financiers of the world. Most of these men threw the power of their influence to Hyde. This incensed the Alexander interests, who seemed to be seeking control, although they professed only to be seeking the best interest of the policyholders. The result was charges of the most serious nature made against Hyde and many of the most prominent of the directors. Some of the charges made against Hyde and his friends were:

1. That Hyde charged to the Equitable Life Assurance society the expenses incurred in his formation of the Cercle Francais; the expenditures due to his four in hand coaching trips from Holland house to Ardsley through the park, in which Alfred Vanderbilt participated; private dinners given by him to distinguished individuals, chief among them M. Cambon, ambassador from France to the United States. That with all these things he burdened the Equitable exchequer, asserting anything he did that brought him into the light of pub-

licity was valuable advertising for the Equitable and that the society therefore ought to pay for it.

2. That the item of "advertising" showed the results of these extraordinary expenditures by its enormous increase in the last few years. The advertising item alone in 1904 exceeded \$500,000, although given in such a way that it was not possible to tell from it what the real expenditure was. The items "commissions, advertising, postage, and exchange," being taken together, totaled at \$7,900,285.73. In 1903, without "commissions to agents," the items "advertising, postage, and stationery" reached the staggering total of \$700,971.80.

3. That the ventures were financed with Equitable funds, by which private individuals profited more largely than the life assurance society, although it was Equitable money that made the investment possible.

4. That there was impropriety in the management of the financial affairs of the society.

5. That the manner of life of James Hazen Hyde raised questions as to his business responsibility.

6. That Hyde was in absolute control of the surplus of \$80,794,269, and that while he could not take it personally he could, by an extraordinary expenditure, materially decrease or entirely dissipate it.

7. That through his influence there was carried in trust companies and other institutions in which he had a personal interest, money that should be invested and earning interest.

8. That the Equitable conservatism was at an end, and that the expense rate at which insurance was carried by the society was increasing yearly.

9. That by the arbitrary exertion of his will he forced many expenditures that were inadvisable and which, were they known, would be injurious to the continued prosperity of the society.

10. That he carried numerous personal employes on the roll of the Equitable and insisted they should be paid from the Equitable funds.

11. That he used his position as chairman of the finance committee of the Equitable to obtain his election as a member of the board of directors of many financial institutions.

12. That Hyde held a club over the head of every officer of the society; that he made it impossible for them to do other than obey his dictates; and that he had power to depose or dismiss any officer or employe who opposed his will.

13. That since Hyde came into control the policy holders did not have the same confidence that they reposed in the management of the company during the lifetime of his father and the period immediately following his death.

14. That Hyde's domination already had caused dissension in the board of directors by the arbitrary enforcement of his will, one of the occasions being that on which he insisted the society should pay for the Cambon dinner.

In turn the Hyde party responded with countercharges of breach of faith by President Alexander. Some of these charges were:

1. That Alexander paralyzed the Equitable society's credit.

2. That he did everything he could do to hurt the society and nothing whatever to help it.

3. That he broke his promise to keep quiet, and opened up "the sewers" in violation of this promise.

4. That his charges brought against Hyde were untrue.

(a)—That Williamson, who had been alleged to be the gardener at Bay-shore, whose wages were stated to be an extravagant figure, paid by the society, really was the confidential man in charge of the foreign business of the Equitable, who had been with the society many years, his services dating back to the time of the late Henry B. Hyde, whose stenographer he was, and that Williamson handled the foreign business of the Equitable from the office of Hyde at his residence, 9 West Fortieth street, New York.

(b)—That the Cambon dinner, the expenses of which were said to have been \$30,000, really cost only \$6,000, and that this dinner was a business venture and not a "society" affair in any way. There was not a society man there. All the guests were selected because of their prominence in a business way.

(c)—That Alexander had as much to do with getting up the affair as any one else. Five of Alexander's supporters were there. All the directors were invited. It was a discreditable thing for the exact situation to become public, but President Alexander "besmirched the society" by bringing it out.

All this was very interesting to the newspaper reading public and the stock-holders, but the development which raised the question as to how the savings of the policy holders were being used caused the greatest public clamor. Four of the most influential directors of the Equitable were August Belmont, American representative of the great European money-lending family of Rothschilds; George J. Gould, head of the great capitalistic family of Gould and in control of the Gould system of railroads and other big corporations; Edward H. Harriman, head of the gigantic railway system of America which is now affiliated with the Rockefellers, and Jacob Schiff, Mr. Harriman's banking partner in the firm of Kuhn, Loeb & Co., the most powerful private banking-house in America, and director with Harriman and others in many big corporations. Besides these men were other millionaires such as A. G. Vanderbilt, D. H. Moffatt, C. Ledyard

Blair, John Jacob Astor, M. E. Ingalls, A. J. Cassatt, James J. Hill, Henry C. Frick, C. N. Bliss, Chauncey Depew, D. O. Mills, Bradish Johnson, V. P. Snyder, J. J. McCook and others, who threw their influence to Hyde.

Now, when recriminations came thick and fast it was said that these railway presidents and bankers were in the directory, not for their health, but to make money out of the policy holders by selling to the Equitable Life Assurance society millions upon millions of the stocks and bonds of their companies at high prices and getting fat commissions for doing so. Thus they were charged with being in the doubtful position of not being able to act justly by the policy holders of the Equitable in selling stocks and bonds, for it was said naturally they would try to make good profits for themselves on these sales. This was one of the principal objections raised against Hyde, for he was said to have favored huge speculative schemes with these men, using the money of the Equitable. An effort was made to oust Messrs. Schiff and Harriman because it was said in one year their firm of Kuhn, Loeb & Co. sold to the Equitable \$22,000,000 of bonds. In this fight the personal honesty of the men was not impugned, but it was asserted that they could not justly act as both buyers and sellers. It was stated that one of the principal reasons why Mr. Harriman was on the board of the company was because he needed its aid in borrowing huge sums of money in his great railway financial schemes.

Another development which did not appear just to those who were waging war against a system which would permit \$51,000 par value stock of the Equitable to control \$487,000,000 of wealth, was the fact that some of these powerful directors had almost no stock. Messrs. Harriman and Schiff were what were known as "five spotters," having only five shares of stock each, though of course this stock was very valuable for the power it conferred upon them. But even these shares were not owned by these men in their own right. In fact neither owned a share and neither was insured for one dollar in the life insurance company which they dominated. This sort of business, indeed, is not uncommon in financial circles. These men were what were called "dummy" directors, being given stock so that the law requirements would be met, for the charter of the Equitable requires "that each director shall be proprietor of five shares." It was charged that the way these men secured the stock was by borrowing it from young Hyde, having it registered on the books of the Equitable in their names and then turning it back to Hyde, who placed it again in his own "strong box."

Of course men of such great financial standing resented such charges. They stated that while they had made financial transactions in which they had sold stocks and bonds to the company for themselves, the securities were good value

and they personally had not conducted the transactions. Here is a typical reply made to charges issued by the great banking house of Kuhn, Loeb & Co.:

"Mr. Schiff first learned some twelve days ago of the trouble which was brewing, when he was called upon by counsel for Mr. Alexander, who advised him of Mr. Alexander's determination to oust Mr. Hyde from the control of the company through a movement to transfer the control to the policy holders. Mr. Schiff from the outset declared himself as unqualifiedly in favor of participation by the policy holders in the control of the society, insisting, however, that this should and must be brought about in a dignified, orderly and just manner.

"Further, he held that the board of trustees should become directly responsible to the policy holders for the management of the company rather than that the control should pass to the executive officers through the obtainment, in their own names, of the proxies of the policy holders.

"The gist of the entire controversy is this: Mr. Alexander and his associates desire to secure control of the company and elect a board of trustees of their own making.

"Those opposed to Mr. Alexander insist that if the policy holders participate in the control they should be enabled to vote untrammelled by the interference of the executive officers and that the latter be elected by and be responsible to the board of trustees rather than being made the masters of the board.

"As to the statement that Mr. Schiff as a director of the society had taken part in the purchase by the latter of a large amount of securities from the firm of Kuhn, Loeb & Co., Mr. Schiff says that, though a member of the finance committee, he is not and has consistently declined to become a member of the executive committee, which is alone empowered to make the purchase of securities on behalf of the society; that whatever dealings his firm has had with the Equitable society have been most advantageous to the latter.

"If his firm has sold high class investment bonds to the Equitable, it has sold of the same bonds many more millions during the same period to other insurance companies in which Mr. Schiff is not a director.

"No offer, Mr. Schiff says, has at any time been made by him to Mr. Hyde for his majority stockholding in the Equitable society; to the contrary, Mr. Schiff has insisted throughout that if the stockholding were to be dealt with nothing must be done with it except its retirement by the Equitable Assurance itself under authority of law."

A typical implication of duplicity in the financial affairs of the Equitable, what is called in modern banking circles "high finance," was that connected with the purchase of the Western Maryland Railroad in June, 1902. This road was

bought to give the Gould railway system a tide-water terminal at Baltimore. With another small road the Western Maryland connects with the Wabash. The road was taken up by what was known as the Fuller syndicate of which George J. Gould, one of the so-called "dummy" directors or "five spotters" of the Equitable Society, was a prime mover. It was said he induced a number of the directors of the assurance society to become interested in the syndicate. Although this pool paid only about \$8,751,000 for the Western Maryland, two bond issues were promptly made, their aggregate being \$35,189,000. The first issue was for \$25,189,000 of first mortgage bonds and the other a second mortgage for \$10,000,000. The capital stock of the road is \$16,000,000, making in all over \$50,000,000 securities for the road which cost less than \$9,000,000. On this basis there would be about 18 per cent value, and 82 per cent "water" in these securities, although doubtless much of the proceeds of the stock and bonds when sold went to build up property.

The officers of the Equitable put \$1,830,000 into this venture. The society took \$1,000,000 in shares in the syndicate formed to sell the bonds, paying in cash \$915,000. It also purchased \$1,000,000 of bonds, paying \$915,000 for them. Both of these investments at one time showed losses, according to the reports of the society. Besides selling to the Equitable Life, the Western Maryland syndicate sold out to the Mercantile Trust company, the Equitable Trust company, the Lawyers' Title Insurance company and other financial institutions which the Equitable Life Assurance Society either controlled or owned.

The great stake in the fight for the control of the Equitable, therefore, was not simply the management of the insurance business, but the vast financial power which came from the company's control of certain banking institutions and its influence on others. For instance, in the published records Mr. Hyde was a member of the board of directors of at least fifty well known financial institutions.

Some of them are: the Mercantile Trust, Equitable Trust, Lawyers' Title and Trust, and Lawyers' Mortgage companies of New York; the Commercial Trust and the Franklin National bank of Philadelphia, Mercantile Safe Deposit of New York, Security Safe Deposit of Boston and Missouri Safe Deposit of St. Louis. These, with the Mercantile Trust company, United States Mortgage Trust company, and Fifth Avenue Trust company of New York; the Central Realty and Bond company, Fidelity Trust company of Philadelphia, and the Fidelity Trust company and Union National Bank of Newark; Union Trust company of Elizabeth and the Essex County Trust company of East Orange are included in the Equitable Life-Mutual Life-National Bank of Commerce group of giant financial powers.

In the chapter on the "Money Trust" it was stated that there was a great interrelation of financial interests between the three big insurance companies of New York and the banking powers. In addition to the group just named must be considered the affiliations of the First National Bank of New York, or "Morgan" institution, which includes the influence of the First National Bank of Chicago, the Chase, Liberty and Astor national banks of New York, the Manhattan Trust company of New York and the New York Life Insurance company. Apparently nowhere else in the world is such a huge dominating financial interest shown. But this chain extends still further through friendly relations between the Equitable and the Mutual, for these two practically control the National Bank of Commerce of New York, which in turn is affiliated with the National City or "Standard Oil" bank. This National Bank of Commerce is one of the largest banks of the country, which, with capital, surplus and deposits controls \$189,000,000. These two life insurance companies and this bank form the center of a financial web reaching out through banks and trust companies in various cities with assets and deposits of more than a billion dollars. All told, through these myriad interests nearly \$2,000,000 was influenced by the power wielded by the \$51,000 nominal value of Equitable stock owned by young Hyde, which he increased later to about \$90,000 nominal value in order to strengthen his grip of influence on the Equitable's policy holders' wealth and savings.

What the actual value of this capital stock of the Equitable was has been in doubt. Before the row broke out fourteen shares of the stock, which by the way paid only 7 per cent dividends, were sold at \$3,000 each, or thirty times their par value of \$100 each. About that time it was reported that Hyde had been offered \$15,000,000 for his first \$51,000 of stock. At that time it was said "Standard Oil" wanted the stock.

Some of the financial investments of the Equitable society in financial institutions follow:

Company.	Capital Stock.	Owned by Equitable.	Deposits.
Mercantile Trust Co., New York.	\$2,000,000	\$1,268,500	\$76,500,000
Fifth Ave. Trust Co., New York.	1,000,000	231,200	15,235,000
Commercial Trust Co., Philadelphia.	1,000,000	245,000	9,950,000
Girard Trust Co., Philadelphia.	2,500,000	40,000	27,524,000
Equitable Trust Co., New York.	3,000,000	1,293,100	41,377,000
Franklin Nat. Bank, Philadelphia.	1,000,000	100,000	21,500,000
Fidelity Trust Co., Philadelphia.	2,000,000	250,000	20,900,000
Lawyers' Title Ins. Co., New York.	3,500,000	441,000
Lawyers' Mortgage Co., New York.	2,500,000	427,300



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TYPICAL NEW YORK "SKY-SCRAPERS."

Here are pictured two of the largest office buildings in the world. Nowadays structures of over twenty stories in height are not uncommon. Office buildings such as are here presented cost anywhere from one to three million dollars. The great banks, life insurance companies, etc., usually erect and own these buildings, considering the same a safe and profitable investment.

International Banking Corporation, New York	3,947,200	180,300	8,550,000
Union National Bank, Newark.....	1,500,000	100,000	7,370,000
Central Realty Bond & Trust, N. Y..	1,000,000	100,000	9,811,000
First National Bank, Chicago.....	8,000,000	249,000	100,000,000
Hibernia Bank, New Orleans.....	3,000,000	100,000	12,000,000
First National Bank, Denver.....	1,000,000	110,000	9,700,000
Bank of Montreal, Quebec.....	14,000,000	40,000	.....
First National Bank, Minneapolis....	2,000,000	20,000	9,500,000
National Bank of Commerce, N. Y... 25,000,000		4,500,800	161,000,000

Some of the investments in railroad and other stocks:

Stocks owned by Equitable.

Pennsylvania	\$ 662,000
New York, New Haven and Hartford.....	507,000
Illinois Central	50,000
Delaware & Hudson.....	710,000
Chicago and Alton preferred.....	40,000
Brooklyn City	267,000
Manhattan Elevated	1,180,000
New York Central.....	1,550,000
Union Pacific preferred syndicate.....	1,400,000
New York and Harlem.....	23,300
Long Island	230,000
Chicago & Northwestern.....	720,000
Chicago & Northwestern preferred.....	170,000
Interborough Rapid Transit.....	250,000
Consolidated Gas of New York.....	1,121,500

The contest for the control of the Equitable Life Assurance Society and for the spoliation of the policyholders through the exploitation of their savings in questionable speculation brought on a crisis in life insurance affairs. This came through the appointment of a committee of directors of the company to investigate the charges made against the management of the society. The committee was composed of Henry C. Frick, the steel and coke magnate, Cornelius N. Bliss, prominent financier and former Secretary of the Treasury of the United States, Edward H. Harriman, railway king, Melville E. Ingalls and Brayton Ives. The report which these men made concerning the rotten methods of "high finance" that had been permitted and abetted in the Equitable brought down a storm in Wall Street the like of which had not been known in years.

President Alexander and Vice President Hyde, not to say other officers,

were excoriated in a merciless manner by the report. And although Alexander had been the one who started the charges against Hyde, the young vice president finally joined forces with Alexander in order to suppress the report of the committee and prevent the policyholders knowing the worst about the society's management. Hyde explicitly charged Harriman with trying to buy his stock at a ridiculously low price in order to gain control of the company and he further said that Harriman had "knocked down the Equitable and dragged it about in the dust."

The determined stand of Hyde not to relinquish his hold on his stock while under fire, and the refusal of the board of directors to accept the investigating committee's report and dismiss officials charged with mismanagement, brought the immediate resignation of the members of the committee. In order to exonerate themselves the members of the united Alexander and Hyde parties said their joint action was solely for the purpose of frustrating a gigantic conspiracy to seize this insurance company for private purposes. The outcome of the scandal was cleaner practices in the insurance business, the re-arrangement of official position of the society and plans to secure the Hyde stock at figures satisfactory to both Hyde and the directory.

So important is the report of the Frick investigating committee in the annals of "high finance," as disclosing the methods used by men placed in position of trust to ride over their trusting wards with an easy conscience, that it is given here nearly in full. It begins with a letter from President Alexander addressed to the committee in which he accused Mr. Hyde with grave irregularities in his official capacity as vice president. The letter read in part:

"1—Speaking of Mr. Hyde, I proceeded in my statement to the committee of twelve to say that he has committed the society to transactions, positions, relations, and agreements without prior consultation with the president or other officers or with the committee, calling the matter to their attention only after the society had been placed in a position from which it was difficult, if not impossible, to recede.

"For example, I mention the purchase of some \$700,000 par value of bonds of the Coney Island and Brooklyn Railroad company, the purchase of 1,000 shares of the stock of the Hibernia Bank and Trust company of New Orleans, the purchase of some \$1,700,000 of the preferred stock of the Union Pacific railroad. None of these transactions was submitted beforehand to the executive committee.

"Your committee should note, in connection with these particular transactions, first, as to the Coney Island and Brooklyn railroad bonds, that Mr.

Hyde is one of the vice presidents of that company and heavily interested in it; second, as to the Union Pacific preferred stock, that at the direction of Mr. Hyde it was entered in the books and statement of the society of January 1, 1904, as a 'syndicate' holding. These purchases were made without prior consideration by the executive committee and without my knowledge. I am informed that Mr. Hyde personally was a member of the syndicate.

"Upon inquiry since made I am satisfied that this stock held by the Equitable is the proportionate amount of stock subscribed for under the syndicate agreement by Mr. Hyde individually; that one of the conditions of the agreements was that the stock shall not be sold by the individual subscribers for a period of years or some provisions to that effect.

"This particular transaction evidences two things—the improper assumption of authority to commit the Equitable to large transactions without proper consultation and supervision, and the making of the Equitable to all practical purposes a party to an agreement such as, in my opinion, it is not justified in becoming a party to by reason of the fact that the agreement is speculative and binds the society to its conditions, which may not only become onerous but damaging to its interests, and which lies entirely outside of the pale of permissible transactions for an insurance company.

"2—Not only does he (Mr. Hyde) thus disregard the established check upon improvidence and indiscretion of any individual officer, but he undermines the president's authority behind his back and admonishes officers and subordinates and notifies people dealing with the society to have their transactions with himself, stating that the president's wishes, action, and judgment in the matter may be ignored.

"Many instances of this could be given. Mr. McIntyre, who is regarded as the personal representative and spokesman of the vice president, not only has carried out transactions without their submission to the president, but also, on being questioned as to the president's attitude or approval of such transactions, has, in repeated instances, expressly stated in answer to such inquiries that it made no difference.

Mr. Alexander further stated in his letter that Mr. Hyde had committed the society upon his own responsibility to enterprises on which he should have consulted others, and mentions further "the extensive purchase of the stock of the New York Central railroad company, made under the urgency and persuasion of Mr. Hyde for the purpose of creating a basis for a request on his part for election to the board of directors of the New York Central."

Continuing, Mr. Alexander said:

"He (Mr. Hyde) has displayed a strong personal ambition and an inordinate and unsafe love of prominence, a quick responsiveness to flattery, a pliancy in the hands of persons whose interests are not necessarily parallel to those of the policyholders of the society. This, in conjunction with his conception of arbitrary power and right as the holder of the control of the stock, renders him a highly unsafe official."

As illustrative of the foregoing charge Mr. Alexander gave the names of forty-six corporations in which Mr. Hyde had procured his election as director and said that as an aid to his election in certain of them he had had large amounts of stock which were owned by the Equitable in these companies transferred to his individual name and that he now appears in many instances as a large stockholder of record, when, as a matter of fact, the Equitable is the real owner of the stock.

Mr. Alexander instanced the Equitable holdings of stock in the following companies, all standing in the name of Mr. Hyde:

Long Island Railway Company, 4,000 shares.

Interborough Railway Company, 2,400 shares.

The Delaware and Hudson Company, 10,000 shares, purchased on August 11, 1903, and placed in the name of James H. Hyde by his procurement.

Manhattan Railway Company, 12,800 shares.

New York Central and Hudson River Railroad Company, 12,000 shares.

Hibernia Bank and Trust Company of New Orleans, 1,000 shares.

Pennsylvania Railroad Company, 10,380 shares.

Chicago and Northwestern Railway Company, 2,900 shares common stock, 3,700 shares preferred stock.

Chicago, Milwaukee and St. Paul Railroad Company, 500 shares.

New York, New Haven and Hartford Railroad Company, 3,666 shares.

Bank of Montreal, 800 shares.

First National Bank of Denver, 1,100 shares.

Continuing, Mr. Alexander said:

"The amounts of the stock held by the Equitable in the foregoing companies may have increased or diminished slightly since the original purchases from the record of which the foregoing facts are taken.

"In some of these companies he is a member of their governing or executive committees. These positions he has procured without consultation with the president of the society, save in a few instances, or with the society's executive committee, and with no consideration as to the propriety of accepting such positions, and the compatibility of their varied and extensive duties with his

work as an officer of the society or with his freedom of attitude as the representative of the society's interests. If there is any real need for the society to be represented upon the boards of companies, whose securities the society holds, that representation should not be centered in one person, who cannot, by any possibility, give proper attention to the duties of so many positions.

"As a further illustration of the statements contained in the foregoing specifications, I mention the fact that he has, in return for election to the boards of various companies, and as an inducement or reward for such recognitions by other companies, displayed a partial and ready willingness to extend to such companies and to individuals interested therein, pecuniary and other favors from the Equitable. On this subject I must defer complete specification until reports now under way are furnished and submitted to me.

"He (Mr. Hyde) has acquired a wide celebrity and unpleasant notoriety by reason of his recreations and enjoyments of a more or less public nature, which is exceedingly hurtful to the company, disquieting to its policy holders, and discouraging to its agents. And this notoriety cannot be said to be a misfortune that has overtaken him, because he has cultivated, striven for it, and even used the instrumentalities that he commands in the society to achieve it.

"Public coaches, special trains, elaborate banquets, costly and ostentatious entertainments, accompanied as they are by continuous notoriety of a flippant, trivial, cheap description, are not only damaging to the influence of Mr. Hyde as an officer of the society but are directly hurtful to the society. They suggest a lack of serious attitude and feeling toward his duties as an officer of the society, a deflection of the time and energies into channels and pursuits from which the society can gain no advantage and from which, on the contrary, it may suffer. They suggest, by their obvious expensiveness, the possibilities of enrichment in the service of the society, which should not exist and are impossible to explain, and, by virtue of the publicity attending his life, these pursuits are matters of notoriety and prove a serious obstacle to the success of the work of the society's agents, upon which its growth and vigor depend."

Mr. Alexander said that Mr. Hyde absented himself from his post at least half of every year, spending his time chiefly in Paris, where he has a residence. Concerning the Cambon dinner, Mr. Alexander says it cost \$12,800, and that it was paid for by the society without his knowledge. Mr. Hyde in his letter turning back the money said that the dinner was given to advertise the society. Mr. Alexander says he was not aware of this, and that he accepted an invitation in entire ignorance of the fact that he was participating in an advertise-

ment of the company, and that he did not learn the real reason why the dinner was given until two and one-half years ago.

He called attention to the fact that Mr. Hyde was vice president of the Mercantile Trust company, at \$12,500 a year; vice president of the Equitable Trust company, at \$10,000 a year, and vice president of the Commercial Trust company of Philadelphia, at \$2,500 a year. Mr. Alexander continued:

"I think the committee should ascertain whether there are other companies from which Mr. Hyde is in receipt of salaries. The salaries paid to him by the Equitable Trust company and the Mercantile Trust company are full pay for an active and experienced vice president, giving his whole time to his duties.

"Mr. Hyde has no right to accept a position which necessitates the withdrawal of any of his time or attention from his duties as the vice president of the Equitable Life Assurance company.

"Under the committee's requisition of April 8 there will be supplied to it a record showing the salaries paid by the Equitable Life Assurance society to the various employes identified with Mr. Hyde. I am informed that there are carried upon the society's pay roll a number of persons who render no service to the society but whose time is completely taken up in the performance of personal services to Mr. Hyde. I shall furnish additional details as soon as possible on this subject.

"I find that Mr. Hyde has drawn for sundry expenses from the society since January 1, 1900, a sum approximating \$75,000. These sums are variously charged to traveling expenses, sundry expenses, and entertainment expenses. But little could be justified on the score of traveling expenses, as Mr. Hyde's duties are in no wise connected with the agency side of the society's business, and I respectfully refer the subject to the committee's examination, as the withdrawals under these headings are obviously excessive.

"I also have discovered from recent examinations that Mr. Hyde has arbitrarily raised the salaries of certain of the society's employes without consultation with me or with any committee and without any semblance of authority to do so. I instance the recent increase of Mr. McIntyre's salary from \$25,000 to \$30,000 upon Mr. Hyde's personal direction; the salary of Charles F. Williamson, his personal secretary, from \$5,000 to \$7,200; the increase of the salary of W. B. Bramwell from \$6,000 to \$7,500.

"He (Mr. Hyde) has often been remonstrated with and has at times made promises of more careful consideration of the duty of his relations to the society. But these promises are soon forgotten and his mistakes have become more and more frequent and aggravated.

"His connection with the society has become an argument used against the Equitable by its competitors and against which the society's agents confess themselves unable to make satisfactory headway.

"I believe this to be one of the most important specifications which I made in my statement to the committee of the twelve. A great amount of evidence can be submitted under this heading. For two years the society has been in receipt of protests that have come in increasing frequency, and a number from the agents as to the difficulties they experienced by virtue of Mr. Hyde's relations to the society as an officer."

In his letter Mr. Hyde detailed the operations of the syndicates of which he was the chief figure. According to the report, "James H. Hyde and associates" was not a permanent organization, but changed its personnel frequently. As shown in Hyde's letter, it conducted a considerable number of transactions. In nine of these the Equitable became the purchaser of some or all of the securities involved. In these nine transactions securities of the par value of \$9,300,000 were handled. The total profits to the syndicate on them were \$204,504.

In two of these nine transactions the Equitable was a party in the syndicate, receiving \$18,397. Of the total profits \$167,741 was received by eight individuals who were directors in the society and six of them members of the executive and finance committees. Besides Mr. Hyde, the members of the board who participated were V. P. Snyder, H. C. Deming, G. H. Squire, James W. Alexander, W. H. McIntyre, A. W. Kreeh, and Louis Fitzgerald. Commenting upon these transactions, the report said:

"In one case in which the syndicate profit was \$30,210, the society now holds the securities purchased, which at present quotations show a loss of about \$60,000.

"In all other cases the society either has made a profit or could make a profit by selling the securities at the present market.

"The net result to the society of the purchase of these syndicate securities has been a considerable profit. If the society had acquired the securities by taking allotments in the original underwritings to which the Hyde syndicate was a party it would have made larger profits. The profits would have been greater by \$186,107. Or if the society's directors who figured in the syndicate had acted solely for the society the society's profit would have been \$167,741 greater than it was.

"In this course of dealing with a corporation which they were serving in positions of the highest trust and delicacy these officials were guilty of a breach

of propriety and a serious breach of trust, which, so far as the principle of the thing is concerned, is not mitigated by the fact that the society has lost nothing by the transactions, but is the gainer by reason of the subsequent increase in the market value of the securities which it purchased.

"The committee has been advised by Mr. Hyde that he has deposited with the cashier of the society his check for \$61,466, the amount of his share of the profits on the aforementioned transactions, with the request that the board decide whether these profits rightfully belong to himself or to the society. The committee recommends that the board inform Mr. Hyde that, in its opinion, these profits were obtained in violation of the rights of the society and that therefore he is indebted to the society in an amount equal to the profits in question, and that his check for that amount will be placed to the credit of the society.

"The committee finds as a fact that the syndicate operations were conducted as described in Mr. Hyde's letter of April 27 for the benefit of the persons and in the proportions therein named, and that said persons received the respective amounts detailed by Mr. Hyde, and that such of them who were directors and members of the executive committee at the time the purchases of said securities were authorized are likewise indebted to the society in such amounts with interest."

Concerning the charges made by Mr. Alexander against Mr. Hyde the report said that the president certainly should have disclosed their nature to the board of directors in order to prevent the re-election of Mr. Hyde as vice president last February. Mr. Alexander knew, or thought he knew, the report said, long before the annual election of the grossest sort of breach of duty on the part of Mr. Hyde, and though protesting against his re-election for reasons of his own, he failed to disclose to the board of directors this breach of duty, which would have been a sufficient reason for not re-electing Mr. Hyde.

The report continued:

"Upon Mr. Alexander's own statement of the misdoings of Mr. Hyde the committee finds that Mr. Alexander was culpably negligent in acquiescing in them for so long a period and in not bringing them to the attention of the board of directors at such time and in such a way as to enable the directors to consider them in connection with the exercise of their responsible duty of electing the officers of the society.

"Not only has Mr. Alexander concealed from the directors the irregularities of Mr. Hyde, of which he was cognizant and of which he now complains,

but Mr. Alexander openly encouraged them. In so important a matter as aiding in the proper conduct of the examination that the by-laws of the society provide the fiscal or examining committee should make the accounts and assets of the society at the close of each year. Mr. Alexander openly advised Mr. Hyde while he was entirely under his tutelage that this might and should be ignored.

"November, 14, 1904, Mr. Alexander wrote to Mr. Hyde:

"I don't know just when Willie is to return, but I suggest, with your concurrence, that he be charged with the responsibility of steering the fiscal committee when it meets. We have two new members on it, and it is just as well that they should all be under reasonable observation. Let him remember that the only duty of this fiscal committee is to prove our annual statement.

"It is not their province to go into the management of the company, or to express opinions about methods. When they come to proving what we call our "ledger balances" it has been the usage that the chairman of the committee (Mr. Wheelock) should make the comparisons and the committee adopt his report. I shall cross this off my memorandum, and you can, if you like, lay it aside for Willie on his arrival, unless you have some other views."

"From letters of Mr. Alexander to Mr. Hyde, which the committee has examined, the committee finds that he flattered and encouraged Mr. Hyde in methods wholly vicious and tending to autoocracy in the administration of the society's affairs.

"The committee also finds that so far as Mr. Alexander's charge against Mr. Hyde is true—namely: 'That he has displayed a strong personal ambition and an inordinate and unsafe love of prominence, a great responsiveness to flattery, a pliancy in the hands of persons whose interests are not necessarily parallel to those of the policy holders of the society,' that Mr. Alexander is largely responsible.

"The committee finds that many of the charges of Mr. Alexander against Mr. Hyde are true, or measurably true.

"The evidence submitted satisfies the committee:

"First—That Mr. Hyde has habitually involved the society in transactions, specially of purchase of securities, which were of great magnitude without the previously obtained authority of the executive committee.

"Second—That he carried large amounts of stocks belonging to the society in his own name, without there appearing any minute of any act of directors or committee authorizing it.

"That he has used the funds of the society to pay for certainly one social

entertainment given in his name and the name of one other director of the society.

"Fourth—That he shared in the profits made by banking syndicates in effecting sales of securities to the society at a time when he was a member of the committee which made the purchase, he frequently voting for the same.

"Fifth—That he has been guilty of other acts which were irregular and not in compliance with the society's law or with sound business practices.

"The committee has fully considered Mr. Hyde's explanations of these charges. In the main he seeks to exonerate himself by pleading the custom of the society, the participation of others, the return of money improperly acquired or used, and the beneficial results to the society. As it is the function of this committee to determine what is wrong in the society's management, Mr. Hyde's arguments cannot avail. The practices he has pursued are wrong. The fact that others have pursued them or acquiesced in them only convicts them of equal guilt."

The report said that instead of being a check on each other the executive and finance committees were made up of the same men. A number of gentlemen meet and do certain acts as the executive committee. They adjourned and immediately reconvened as the finance committee and approved the acts of themselves while in session as the executive committee. For permitting this state of affairs the board of directors was held responsible, and the report recommended that the two committees be reorganized.

Speaking of the work of the executive committee and the interesting question of salaries paid, the report said:

"There are no resolutions whatever bearing on the salaries of officers or others, the closest approach to this being a resolution advising the directors to grant pensions to two retiring medical directors. In addition to the formal minutes of the committee there is a large amount of what are called 'memoranda minutes.' These are typewritten sheets containing a list of securities bought and sold, and it is assumed that in each case the executive committee approved of such transactions. The executive committee appoints a subcommittee of two to adjust salaries. There are no minutes covering the report of such subcommittee; but it is verbally stated that the subcommittee gave direct instructions to the controller as to the rates of salaries to be paid. The subcommittee fixed salaries of higher executive officers only—those of subordinates being arranged by their chiefs.

"The last subcommittee on salaries, of which there is a record on the

minutes (December, 1902), was composed of two persons, one of whom receives a salary from the society and the other a salary from an institution in which the society is largely interested. There are in 1905 thirteen executive officers in the society who held the same positions in 1900. In 1900 these thirteen officers received salaries aggregating \$297,000. In 1905 the same officers received salaries aggregating \$448,500, an increase of \$151,500, or 51 per cent. Of the thirteen officers, three have received no increase in salary since 1900. Deducting these, the average rate of increase to the other ten has been 61 per cent. The salaries of six of the thirteen show an average increase of 86 per cent.

"The salary of the vice president, which was \$30,000 in 1900 and 1901, was advanced to \$75,000 in 1902, and to \$100,000 in 1903. The rapidity of these increases is not only unusual, but there can be no warrant for them through any question of ability to retain the officers' services at lower rates of compensation. At the time the vice president received a salary of \$30,000 he was 24 years of age. When his salary was increased to \$75,000 he was 26 and when it was again increased to \$100,000 he was 27 years old. These facts indicate that the experience of the officer in question could hardly have been considered a factor in the estimation of the value of his services. It is found that the vice president of the society, in addition to holding the presumably purely honorary position of director in over forty corporations, is vice president of three companies, from which he receives salaries aggregating \$17,000.

In the table presented showing the increase of salaries since 1900 appears the name of Anna L. Amendt, secretary to Vice President Tarbell. Five years ago she was drawing \$4,200 a year. In 1901 her salary jumped to \$7,200, in 1903 to \$10,000, and this year to \$12,000. The percentage of increase in her pay for the period covered was 185.7. While on this subject the report said:

"The way in which the directors, through their executive committee, and that committee through its subcommittee, have increased the salaries of the principal officers of the society quite naturally does not in its effect end there. An examination of the office pay rolls shows that the treatment received by each officer from the board is generally reflected in the treatment accorded by him to his subordinates. In these departments, of which the heads have received no increase in salaries, the salaries of the working force have remained constant or have shown such slight increase as appears to have been no more than consistent with the general tendency of salaries in all industries. On the

other hand, those officers who themselves have been rapidly advanced quite generally have seen that their subordinates shared in their prosperity—at the society's expense. In the vice president's office four employes who received in the aggregate \$5,444 in 1900, receive \$13,900 in 1905, an increase of 155 per cent. In the second vice president's office six employes who received \$10,720 in 1900, receive \$24,840 in 1905, an increase of 132 per cent. The total salaries paid to employes of the president's office have increased 48 per cent since 1900; of the vice president's office 134 per cent, and of the second vice president's office 126 per cent. The total office pay roll of the society increased from \$770,282 in 1900 to \$1,177,501 in 1904, or 53 per cent. As compared with this the total income of the society increased but 36 per cent from 1900 to 1904.

On the subject of making advances to agents the report said that while the practice was almost universal, such advances never had been recognized as assets by the insurance departments and there had been a general inclination on the part of most companies to cease the practice and to close out these accounts as rapidly as possible.

In November, 1904, the Equitable carried \$2,809,000 on its books as loans to agents. By the transfer of the bulk of this account to the trust companies, said the report, it has appeared as a much smaller amount on the society's subsequent statements. In the majority of cases the amount of one agent's loan, which was carried by a trust company, was exactly five times the appraised value of his annual renewal. The amounts carried on the society's books were in most cases sums in excess of the fivefold limit accepted by the trust companies.

The company was also criticized for carrying excessive cash balances. The society, the report said, is not subject to sudden or unexpected called for unusually large sums in the regular course of its business. Yet on Jan. 31, 1905, it had a cash balance of over \$29,000,000, deposited principally with the National Bank of Commerce, the Mercantile Trust company, and the Equitable Trust company.

Under the head of "entangling alliances with auxiliary companies," the report discussed the society's interest in banks and trust companies, and said, judging these investments either on general principles or on specific results, their wisdom was "gravely questionable."

"In the remarks under the heading, excessive cash balances, it has been shown that the society carries abnormal balances with those concerns in which it holds a considerable stock interest, and the society's controller says that the

reason for this 'must be obvious.' The fact that the society does not carry excessive balances in institutions in which it does not have a large stock ownership indicates that these large balances are maintained for the purpose of aiding the concerns with which they are deposited.

"In making these investments the society is concerned not merely in the amount it realizes in dividends as constituting a proper return on the investment, but becomes actively engaged in the building up of the auxiliary concern in order to show appreciation in market value of the original investment.

"Having been committed to such a policy complications increase, which force the society away from the position of an investor, which it should occupy, into that of a promoter and manipulator, which it should not occupy. Under date of Aug. 30, 1901, President Alexander wrote to J. H. Hyde:

"I am glad you watch the bank and that it is doing so well, but we must perform some coup and increase its size and importance. Also in the case of the Mercantile. I would like to buy a couple of trust companies and double up that concern."

"It seems needless to state that the making of 'coups' to enlarge banks or the buying of trust companies are not proper subjects of concern to a life insurance company."

The report said that the society should purchase neither bonds nor stocks which would require manipulation or nursing. It should make no purchases of securities where their subsequent sale could ever be inadvisable for any other reason than general market conditions. In other words, it should be a life insurance company.

On the subject of deferred dividend policies the report said:

"The Equitable, in common with several others of the large companies, issues the greater portion of its policies on the deferred distribution period plan. Under this system the excess portion of the premium is not returnable to the policy holders annually, but is retained by the society for various stipulated period of years (usually twenty years), and the accumulations then paid in one sum. The advantage which is held out to the policy holder under this system is that he not only eventually receives all the natural accretions of his own policy, but shares of those which were earned by the policy of those who were unable to continue them to the end.

"The question as to the ethics of extending the hope of one policy holder that his prosperity will be increased through the misfortune of another policy holder is purely academic and need not be discussed here. As each policy holder understood the conditions and accepted them with the hope that he

would be in the fortunate class, he seemingly would be estopped from complaint if events forced him into the unfortunate class.

"But, entirely aside from this question, as between the individual policy holders, there can be no doubt concerning the at least potentiality of evil which this system of deferred distribution possesses.

"When annual dividends are paid the policy holder has an immediate and yearly recurring check upon the operations of his company. He is enabled and is quite apt to compare his results with those of his acquaintances insured in other companies. Extravagance in management and errors in investments are at once reflected in decreased dividends or impaired surplus.

"On the other hand, the holder of a twenty-year distribution period policy has no knowledge whatever concerning the earnings of his policy until the expiration of the twenty years. He cannot make comparisons with the results in other companies because he does not know the results in his own case. He entertains hope for nineteen years, and if dissatisfied with the realization at the end of twenty years it is futile for him to protest. The incident is closed.

"These conditions are mentioned for this purpose—to illustrate the possibility of deterred distribution policy leading the society into a generally lax method of doing its business. The annual dividend company is held to accountability every year. The deferred dividend company is never held to accountability by the body of its policy holders and is so held by its individual policy holders only when their opportunity for action has passed.

"This absence of accountability makes possible the pursuit of rapidity of growth at undue cost, because the effect of that cost is not felt by the policy holder until, as said before, it is too late for his availing protest. Another embarrassing outgrowth from the deferred dividend system is the popular misapprehension of the so-called surplus."

The society's published report shows a surplus on Dec. 31, 1904, of \$80,-794.269, and popular sentiment demanded that this sum be divided among the policy holders. There was even seen a discussion of the ownership of the surplus as between policy holders and stockholders. As a matter of fact, the actual surplus of the society on Dec. 31, 1904, was approximately \$10,200,000. Of the balance, \$6,750,000 was apportioned for dividends payable in 1905, and \$63,806,000 was merely as reserve against future contingent liability. That is, it was the amount which had been earned by the total number of deferred dividend policies, and which becomes a direct liability as each individual policy matures.

“The soliciting agents of those companies which write almost exclusively deferred dividend policies habitually state that the superiority of that form of policy is demonstrated by the fact that the public invariably selects it in preference to the annual dividend policy. As bearing on this statement it is of some interest to know that the Equitable society allows its agents commissions and expenses of 50 per cent of the first premium on deferred dividend policies, while it allows them but 25 per cent on annual dividend policies.

“The general policy of the society having been diverted from its true course, it is hardly to be wondered at that there is found throughout its official personnel a sort of moral obliqueness—a condition where personal gain seems at times to be the paramount idea. It is this which has led your committee to find that the society’s transactions with outside concerns have been placed so systematically that the profits fall into the hands of those closely connected with the society’s officers, and it is this which has led the officers of the society to say with undoubted sincerity that they saw no wrong in accepting profits from syndicate transactions in which the society played an important part.”

Concerning the directors the report said:

“First—That the title of the great majority of the board to their office as directors is open to question under the law of the society by reason of the fact that the shares of stock held by them were transferred to them for the purpose of qualifying them as directors.

“Second—That this practice of qualifying directors is almost coeval with the existence of the society itself, and, further, that there has not been a time for years when there were enough male stockholders in the corporation owning five shares of stock to constitute the number of directors required by the charter, indeed at the present date, not more than half enough for that purpose.

“Three—That the directors, in whom the corporate powers of the society are vested by its charter, created, by the by-laws, certain committees and officers to whom the directors delegated the exercise of substantially all the powers of the society. The committee further finds that the relation of the board of directors to the exercise of the society’s powers has been practically nominal since the establishment of the society.

“Fourth—That the directors are responsible for constructing the executive and finance committee of the same persons (except one), thus destroying the check upon and the supervision over the executive committee which the by-laws

provide shall be exercised by the finance committee. The committee recommends the reorganization of these committees.

"Fifth—That the minutes of the proceedings of the executive committee have not been kept in the manner provided by the by-laws, and that in the conduct of its business there has been a marked absence of that formality which is proper, if not essential, in dealing with a trust of such great magnitude.

"Sixth—That the members of the executive committee named in Mr. Hyde's letter to the committee of April 27, 1905, participated with Mr. Hyde in the profits of the syndicates, detailed in said letter, and are justly indebted to the society for the amount of said profits."

The report summed up the case against Mr. Alexander as follows:

"As to the president of the society the committee finds that he concealed from the board of directors his knowledge of the irregular conduct of the vice president in relation to the society's affairs at times when the vice president was a candidate for re-election, and that the president had knowledge of the irregularities to the extent that the committee finds they existed and that many of these irregularities were openly encouraged and participated in by the president."

The committee also finds that Mr. Alexander participated in the profits of the syndicates and that he is justly indebted to the society for the amount thus secured by him. As for Mr. Hyde, the committee finds that "he habitually involved this society in transactions of great magnitude without previously obtaining authority of the executive committee; that he carried large amounts of stock belonging to the society in his own name without first having secured the authority of the society; that he used the funds of the society to pay for the 'Canibon dinner' (which he subsequently returned).

"It also finds he conducted and participated in the profits of the syndicates described in his letter of April 27, 1905, having frequently as a member of the executive committee voted for the purchase of such securities as shown in said letter in detail; that he is indebted to the society to the amount of the profits he has received as shown by his letter, and that he has been guilty of other irregular acts, irregular in the sense that they are not in accordance with the society's law, or with sound business practices, treating the society and its affairs largely as if they were his own personal concerns."

In conclusion the report said:

"As to the other officers of the society the committee finds that a general looseness has prevailed in the administration of the society's affairs, requiring prompt and thorough rectification, and that there is a general lacking in

the organization of the strong moral fiber so essential for the accomplishment of satisfactory results.

“The committee also finds that the society’s methods of doing business are unsystematic and should be corrected; that the cash balances carried by the society are excessive; that the society’s alliances with financial institutions are unnecessary and undesirable in the conduct of its legitimate business; that its advances to agents, directly and through financial institutions in which the society is interested, are excessive and that the society’s efforts should be directed to conducting a strictly legitimate life insurance business at the lowest cost to the insured along the general lines hereinbefore indicated.

“The imperative need in this and all other similar associations is a more lively sense of the true nature of the relations existing between the society and the assured and of the duties owing by the management to both.

“When we consider that the fabulous accumulations held by such associations represent a voluntary tax placed by the provident upon their lives, and when we recall the tremendous self-denial and sacrifice that is represented in daily living to secure provision against the inevitable, then we begin to realize the high and delicate nature of the trust involved in the administration of such a fund.

“Every economy consistent with sound administration and normal progress should be practiced. Excessive salaries, excessive committees, excessive expenses, and superfluous offices should not be tolerated.

“Investments should be carefully made and all the useful formal precautions employed to insure the location of the moral responsibility of the officers who are charged with the duty of making them.

“The committee having pursued its investigation of the present management of the society sufficiently far to convince it that the personnel of the management should be radically changed and the methods of conducting the business of the society brought back to sound legal and ethical lines, begs to be relieved from further duty.

“The committee desires, however, to recommend that further investigation as indicated in its chairman’s letter of April 8, to Mr. Alexander be proceeded with by a reorganized management, whose immediate connection with the source of information for the work and personal responsibility for the future will enable it to conduct the investigation more thoroughly, expeditiously, and satisfactorily than it would be possible for the committee to do. The committee also recommends that the new management have a thorough audit made of all the society’s books and records.

"If other irregularities in the present management are brought to light they will be only cumulative and therefore could not affect one way or the other the finality of the conclusion expressed above.

"The extraordinary powers of the principal officers of the society carry with them the highest measure of responsibility. The committee finds that of these the president, vice president, and the second vice president have fallen far short of their duty both in acts of commission and omission, and changes in these offices should be made.

"The loose and irregular methods obtaining in the management are largely due both to the example of the acts and the example of the neglect of these officers. The shortcomings of inferior executive officers are largely due to the methods which the principal officers have encouraged or permitted, and so far as correction of these irregularities calls for further removals of officials that matter should be dealt with and largely controlled by the judgment of the re-organized management."

When the public and the financial world had digested the contents of this report and had received intimations of the possible bursting of a thunder-cloud when Superintendent Hendricks of the New York state insurance department should make known the result of his investigations into the Equitable scandal, financiers found it necessary to inaugurate sweeping reforms. For that purpose Paul Morton, Secretary of the Navy under President Roosevelt, was elected to the position of chairman of the board of directors with full authority to reorganize the society. Immediately afterward it developed that Thomas F. Ryan, head of a powerful clique of New York stock market operators and trust magnates, had bought control of the Equitable through acquiring James H. Hyde's stock for \$2,500,000. Severe criticism arose over this maneuver, for the Tobacco Trust, of which Ryan was a prime mover but a short time before, had been watered to the extent of \$34,000,000. Furthermore, the Ryan interests had great plans on foot for building new subways in New York, and Paul Morton had been secured originally by Ryan to manage these plans. It was supposed somewhat generally that the purpose of Ryan's purchase of the control of the Equitable was to give him greater power in the financial world. And indeed the coup did this.

But Ryan at once executed a trust deed by which Ex-President Grover Cleveland, George Westinghouse and Judge M. J. O'Brien were made trustees for the purpose of voting Ryan's stock for the best interests of policyholders of the company. Mr. Cleveland, in his letter of acceptance of the trusteeship, struck the keynote of the "square deal" when he said, "I cannot rid myself of

the belief that what has happened to this company is liable to happen to other insurance companies and fiduciary organizations as long as lax ideas of responsibility in places of trust are tolerated by our people. The high pressure of speculation, the madness of inordinate business scheming and the chances taken in new and uncertain enterprises are constantly present temptations, too often successful, in leading managers and directors away from scrupulous loyalty and fidelity to the interests of others confided to their care.

"We can better afford to slacken our pace than to abandon our old simple American standards of honesty: and we shall be safe if we regain our old habit of looking at the appropriation to personal uses of property and interests held in trust in the same light as other forms of stealing."

While the fact that the law prevented dividends of more than 7 per cent to be paid on the stock of the Equitable caused many interested and disinterested persons to wonder why Mr. Ryan had invested such a great amount of money for \$50,000 worth of stock, the public had to assume that the \$2,500,000, which was only a small percentage of the Ryan fortune, was paid to Hyde for the sake of preserving order in financial circles. Such fear of every action by prominent men of business had spread among the people that there was dread among the men of money that the public might believe that all business transactions were more or less tainted with downright dishonesty. Even the Ryan purchase of the Hyde stock did not quell this feeling of unrest, for the Ryan interests had been so prominent in Wall Street affairs that it was supposed this transaction was of the usual sort.

Whether it shall prove to have been philanthropic and meant honestly to settle a serious difficulty without further disturbance remains to be seen from future developments. It seems likely, however, that hereafter government investigation of insurance officials will be more thorough and more frequent. It seems also that the brand of dishonor has been placed upon all financiers who gain pecuniary advantage through sharing in underwriting syndicates which profit from sales of securities to companies of which the members are trustees or directors. Probably, also, insurance directors will be more careful in the future about making such financial alliances as purchasing the majority of the stock of a bank or trust company, which in turn shall do a banking business on the funds of the insurance policy holders to the detriment of their best interests. In a phrase, it would seem that, scandalous as the disclosures were in connection with the Equitable embroglio, they have resulted in helping to restore that old American standard of honesty for which Mr. Cleveland argued and for which the Roosevelt doctrine of the "square deal" stands.



THOMAS W. LAWSON,

Of Amalgamated Copper fame, and whose articles on "Frenzied Finance" have created world-wide interest.



REV. DR. WASHINGTON GLADDEN,

Noted lecturer on Municipal Reform and who objected to the Rockefeller gift to the Congregational Church for foreign missions, referring to it as "tainted money."



STEPHEN GIRARD,

Founder of Girard College, Philadelphia. In 1814 when the government failed to secure a \$5,000,000 loan, Girard came to the front and subscribed for the whole amount. He drew his own will covering 36 large printed pages when 81 years old.



ANDREW CARNEGIE.

He started to work when 11 years old, earning \$1.20 per week, and is now believed to have over \$200,000,000.00 apart from the more than \$100,000,000.00 he has given away.

CHAPTER VII

STANDARD OIL.

The Operations of "Standard Oil" as a Financial System Are an Hundred Times as Important as the Actual Oil Business of that Concern—Wealth of the Rockefellers—"Standard Oil" Influence Openly Recognized in the Management of Nearly Sixty-five per cent of the Total Railway Mileage of the United States.

IF A vote were taken throughout the length and breadth of this fair land on the question of what single power exerts the greatest influence in the business affairs of the country, it is probable the unanimous verdict would be "Standard Oil." And unquestionably, taken in its broadest sense, this would be well within the truth.

But there are two distinct and different entities which operate to pile up great hordes of wealth under the cloak of this cabalistic name. One is simply that world-famed corporation, the Standard Oil company, which is supposed to enjoy the monopoly of the oil business of the world, through the ownership or leases of oil wells, the operation of pipe lines to carry oil from the wells to the refineries, and, after the refining process, the working and control of tank line cars and ships to carry the product to market. The other "Standard Oil" is not a company, not even a legal partnership, but a body of men, a system, whose interests are closely interrelated with those of the Standard Oil company.

Let us examine into the workings of both these kinds of Standard Oil. And because of the greater influence now exerted on every phase of business and public life, let us consider first that "Standard Oil" which now does not make its chief business that of dealing in oil, but which through having first made a great success in oil was able to draw into its ranks the greatest business men of the age and thereby becomes the most powerful influence known in banking, speculation, promotion, mining, etc. This influence, if one is to give it a name other than Standard Oil, is known as "Rockefeller," after the head and brains of the great aggregation of capital, John D. Rockefeller.

This aggregation, which we will call the Rockefeller interests, although it is known and spoken of in Wall street and elsewhere as "Standard Oil," is

made up chiefly of the officers of the Standard Oil company. These are John D. Rockefeller, William Rockefeller, Henry H. Rogers, W. H. Tillford, Charles M. Pratt, John D. Archbold, Henry M. Flagler, Oliver H. Payne, C. W. Harkness, F. Q. Barstow, J. A. Moffett, Walter Jennings and E. T. Bedford.

While these officers of the Standard Oil company do not all enter actively into the outside financial operations of the Rockefeller interests, there are several other men who do act as important principals and agents with John D. Rockefeller, although they are not on the official roll of the Oil company. These are John D. Rockefeller, Jr., and E. Parmelee Prentiss, son and son-in-law respectively of John D. Rockefeller; William G. Rockefeller, son of William Rockefeller and nephew of the head of the house, and James Stillman, president of the National City (or Standard Oil) bank. Of these the most influential are John D. Rockefeller, William Rockefeller, his brother, H. H. Rogers and James Stillman.

So far-reaching is the influence of this great party of capitalists—to which is limited that described as the “money trust”—that the business world long since has become used to the modern proverb of “Scratch a banker and you will find Standard Oil beneath.” As is well known, and as will be shown in detail later, there is a great influence in the control of nearly all the oil industry of America and of much of that of other continents. When this oil business became so successful that great wealth accumulated for the men in the oil trust, it was necessary to invest the wealth in other enterprises to keep it employed. This caused the Rockefellers to search out the most profitable investments and business alliances in the world. The nature of the oil business itself brought affiliations with railways, steamship companies, banks, etc. Gradually many of the companies into which the Rockefellers embarked were absorbed entirely by the wealth of the family and of its allies.

Of the shrewd character of these men the best testimony is borne by William H. Vanderbilt, who said before a government investigating committee:

“I never came in contact with any class of men as smart and able as they are in their business, and I think that a great deal of their advantage is to be attributed to that. They never could have got in the position they are now in without a good deal of ability, and one man would hardly have been able to do it. It (the Standard Oil company) is a combination of men. I don’t believe that by any legislative enactment or anything else, through any of the states, or all of the states, you can keep such men down.”

The head of the great party to which such tribute is paid, John Davison

Rockefeller, was born in 1839, in Richford, Tioga County, New York, of parents of only moderate means. When twelve years of age his parents took him to Cleveland, Ohio, where he had a public school education, and at sixteen he became a clerk in a commission house. In 1858 he embarked in the commission business for himself with a partner named Clark. Both were clever at driving bargains and their success was immediate. In 1862 they became acquainted with Samuel Andrews, an expert oil refiner, and under the name of Andrews, Clark & Co., engaged extensively in the oil business. William Rockefeller, his brother, was admitted to partnership and a new concern, William Rockefeller & Co., was formed, which built, in 1865, a large refinery at Cleveland, Ohio, known as the Standard Oil Refinery. This was the nucleus of the great Standard Oil company of today.

In the intervals of a busy career, J. D. Rockefeller devoted a part of his time to religious, benevolent and educational institutions, particularly those connected with the Baptist Church. In 1892 he founded and endowed the University of Chicago, known officially as "The University of Chicago, Founded by John D. Rockefeller." By 1905 he had given more than \$6,500,000 to this institution. He also gave largely to other institutions. His gifts for education, which in the aggregate amount to a greater sum than has ever been contributed before by a single person to such purposes, generally have been conditional upon the raising of a similar amount by the institution benefited.

Because of the widespread belief that the trust methods of today are against fair and square dealing, and because Mr. Rockefeller's great corporation, the Standard Oil company, violated the doctrine of equal rights for all and the other "Standard Oil" power, now called the "system" by some writers, repeatedly has abused public confidence and good public policy, great criticism against this multi-millionaire and his methods of making money arose.

Its most outspoken form was that which followed the offer of a gift of \$100,000 by John D. Rockefeller to the American Board of Missions of the Congregational church of this country. At the time this offer was made so many charges of violation of justice, if not of law, on which criminal proceedings could be made, were being uttered against the Rockefellers, the Standard Oil company itself and John D. Rockefeller as chief of this mighty coalition of money, natural resources and special privileges, that a protest arose against the acceptance of the gift. It had not been supposed that such a protest ever would arise and even about half of the money had been spent before the protest was filed. It was charged that the money never rightfully

belonged to Mr. Rockefeller, though he had secured it legally. Hence, according to the protestations, the money king had no right to give it away. Some of the unjust methods used in the acquirement of this money, according to the protests made against receiving the gift, which finally was accepted, were "despoiling citizens of their honest gains and shutting the doors of opportunity upon them"; "injustice and oppression"; "illicit and iniquitous control of railways"; "shameful prostitution of agencies created by public law for the public service," etc.

The chief objector to the gift was the Rev. Dr. Washington Gladden, moderator of the National Council of the Congregational church and pastor of the First Congregational church, Columbus, O. His characterization of the methods of the trusts is so typical of the age that it follows in full:

"Regarding my position as to the Rockefeller gift to our board of missions, it should be understood at the outset that I am not authorized to speak for the denomination to which I belong. I possess no shadow of authority. My word is worth just as much in the councils of my denomination as the truth and reason it contains give to it, no more.

"On the other hand, I do not consider myself debarred by the position I hold, from the clear expression of my convictions upon any important question of public morals, even if that question touches nearly the life of the Congregational churches. My first obligation is not to these churches, but to the kingdom of God.

"I oppose, and shall continue to oppose, the acceptance and use of the gift of Mr. Rockefeller for several reasons.

"John D. Rockefeller is the responsible representative of the system known as Standard Oil. This system, to say nothing worse of it, is convicted, by a mass of testimony which it is puerile to dispute or ignore, of using its vast power in the most unscrupulous ways to crush competition and to build up colossal fortunes on the ruins of happy homes and honest industries.

"Anything more hostile to the whole genius of the Christian religion than the career of this enterprise it would be difficult to conceive. It has done what it could to reduce business to brigandage. Espionage, bribery of the employes of competitors, and all other underhanded methods have been its constant weapons.

"But the case is worse than this. The Standard Oil could never have gained its power to oppress but for its alliance with the railways. From the beginning of its career it has been able to coerce the railways into the most humiliating submission to its behests. By a system of rebates of the most astonish-

ing injustice, it forced the great trunk lines not only to do its business for half of what its competitors had to pay, but to pay over into its treasury the excess which it extorted from them.

"For the service which cost the Standard \$1 its competitors had to pay \$2: and the extra dollar extorted from them was paid over to it by these meek and subservient railway officials. This is not rumor; it is a matter of public record; it is action which has been denounced by upright judges in Ohio courts. It was upon this foundation that this structure was reared. Methods have been subsequently modified, but the hold upon the railroads has never been relaxed, and they are used today all over this country to extort tribute from the industries of the people for the aggrandizement of Standard Oil.

"This use of the railways, by overpowering aggregations of capital, as instruments of oppression, is the tap root of social injustice. It is the one stupendous and threatening social evil. The railway officials have become mere puppets in the hands of these trust magnates, who use them to squeeze the life out of all independent enterprise.

"This is the business in which Standard Oil has been engaged from the beginning until now. It represents, as no other aggregation in the land represents, the method of using public utilities for private aggrandizement. The railways, which are chartered to render to all the people an equal public service, and which could not have been granted the power they possess on any other terms, have been employed by this system from the beginning to despoil and to oppress.

"At present this system owns a large majority of the principal railways of the country and its methods of oppression are illustrated by what has been going on in Kansas.

"Against all this there is now, all over the land, an insurrection of public sentiment. The blindness of the people to what has been going on has been amazing, but they are beginning to be aroused, and a great battle is imminent.

"Our president has clearly discerned the nature of this issue: he is right in his judgment that it is by far the most important question before the country, that the injustice perpetuated by the railways under the domination of combinations of capital is flagrant and deadly and that it must be exposed and punished. He is bringing all the power of the government that he can command to bear in this direction.

"Standard Oil and its doings are now at the bar of the United States courts. Is it a good time for the Congregational churches to accept money from the man who represents this system?

"Some of those who favor the acceptance of this gift argue that we cannot go behind the action or inaction of the courts to see whether money has been unjustly acquired. If the verdict of the courts is to govern our judgment in such cases, might it not be well to wait and see whether the courts justify Standard Oil methods? If we approve of the action of the president in trying to bring to justice those who are accused of great public wrongs, would it not be well to decline to receive presents from the men who are on trial? That certainly does indicate a degree of sympathy with them which a great missionary society might wisely withhold.

"But all this talk about legal unanimity as an adequate screen for evil-doers is hardly worthy of religious teachers.

"The prince of Monte Carlo,' says one of my correspondents, 'has never been convicted of crime, and is said to be a cultivated, benevolent gentleman. Would they accept \$100,000 from him for foreign missions? Or from the Louisiana lottery in the days of its prime, when it fleeced its victims under sanction of the state?'

"But even this comes short of the true statement of the case. The wrong of which Standard Oil is the representative is far more deadly than anything of which gamblers or brothel keepers can be accused.

"It is an organized, persistent, and tremendously successful attempt to overthrow the industrial liberty of the American people. Those who do not know that this issue is squarely before us must be pitied for their blindness. Those who cannot see that it is the most serious issue that this nation has ever faced have not thought deeply on the matter.

"The question is now on trial. The courts of the United States are dealing with it, but above and behind these is the great tribunal of the American people. It is their verdict that will be decisive and final. What will this court of last resort have to say about the methods by which John D. Rockefeller, within a quarter of a century, has built up a fortune of perhaps a thousand million dollars? I think that he cares a good deal more for the decision of this court than for the decisions of the lower tribunals.

"The case is now before this highest court. The people are the judges and jurors. We, the Congregational people, are the judges and jurors. The officers and members of this missionary society are the judges and jurors. We have never been called to act upon a more momentous case. The simple question before us is whether we think it right during the trial to accept a present from the person under indictment.

"This is the issue, stripped of all its sophistries. It is idle to compare the

case with other cases of ordinary immorality. It means a great deal more. It touches the life of this nation far more vitally."

Dr. Newell Dwight Hillis of Plymouth Church, Brooklyn, one of the greatest divines of the age, referred to John D. Rockefeller and John D. Rockefeller, Jr., in reference to the taint upon their wealth, as follows:

"The saddest words that have been written in this generation on the Rockefeller gift were spoken before Brown University by a young man who is to inherit one of the greatest fortunes in this country. They were spoken in defense of the trusts. Listen to them:

"The American beauty rose can be produced in all its splendor only by sacrificing the early buds that grow up around it. The rose has one thousand buds, and in order to produce the American beauty the gardener goes around with a knife and snips 999 in order that all the strength and beauty may be forced into one bloom.' In his economic argument, this young man tells the working classes brutally that 999 small business men must be snuffed out of existence in order that his American beauty, the trust, may be produced.

"Listen to Christ: 'Let the strong bear the burdens of the weak.' And again: 'Give and it shall be given unto you.'

"These words in defense of the trust are the most heart-breaking things in literature to those who know what is going to come in the future. Can you wonder that after that, when a man gives gifts, we have no gratitude to return?"

Wealth of the Rockefellers.

Probably it is true, as John D. Rockefeller is credited with having said, that the wealth of the Standard Oil chief cannot be calculated at a given time within a few millions of its exact amount. As has been shown in the case of the chief organ of the Rockefeller financial party, the National City Bank, direct influence is brought to bear upon \$11,000,000,000 of corporate and other wealth. Inasmuch as no financial interest ever thinks of opposing "Standard Oil" and remain in the business game, much of this influence is absolute, though public opinion of late has been roused to fight at the very name of Rockefeller or Standard Oil.

The Standard Oil company itself, of which John D. Rockefeller is president, in the first twenty-three years of its existence paid out in dividends on its \$100,000,000 of capital stock, \$496,065,000, or considerably more than one-fifth the supply of money in the United States—gold, silver and paper. Of course these dividend payments do not represent all the earnings of the oil



JOHN DAVISON ROCKEFELLER.

This is a late portrait of Mr. Rockefeller and it is said that it was the first sitting he had given a photographer in forty years.

trust. Inasmuch as the Standard Oil company refuses to give out regular statements of its earnings, even to its few smaller stockholders outside the Rockefeller party, no one knows what surplus and undivided profits have accumulated, or what has been spent in crushing competition, lobbying, influencing legislation and strengthening its grip on the oil monopoly of the country.

That the profits have grown since the trust first secured its vital grip on the industry is shown in the following table of annual dividends paid:

1882.....	\$ 3,940,000	1895.....	\$ 17,000,000
1883.....	4,500,000	1896.....	31,000,000
1884.....	4,500,000	1897.....	33,000,000
1885.....	7,875,000	1898.....	30,000,000
1886.....	7,500,000	1899.....	33,000,000
1887.....	9,000,000	1900.....	43,000,000
1888.....	10,350,000	1901.....	48,000,000
1889.....	10,800,000	1902.....	45,000,000
1890.....	10,800,000	1903.....	44,000,000
1891.....	10,800,000	1904.....	36,000,000
1892.....	12,000,000	1905 (first quarter)...	15,000,000
1893.....	12,000,000		
1894.....	12,000,000	Total.....	\$496,065,000

On the other hand, much has been said about this company which has not been founded wholly on facts. For instance, the statement that the Oil Trust has never issued a statement of its finance and operations is wrong. On several occasions the authorities at Washington have asked for figures and they have been given. One of these recent statements showed the company to have only \$150,000,000 tangible assets, though it is supposed now that these assets are nearer \$250,000,000. This presumably shows a reason why all the capital stock of the company was not disposed of. At present there are 50,000 shares of Standard Oil stock in the treasury of the company. At current market figures this stock is worth about \$30,000,000. The impression has been that all but a few shares of the \$100,000,000 original stock had been issued. Presumably the company has been so prosperous it has not needed to use this stock to raise money.

One reason, according to well informed financiers, is because it has been the Rockefeller policy to pay out most of the earnings to the stockholders and not to pile up or hide a surplus. Some years ago an attempt was made to show that the Standard Oil company had a fabulous surplus, but this attempt failed.

Furthermore, the report that this company pays enormous salaries to its

officials is wrong. President John D. Rockefeller himself draws a salary much below that of an average bank president. This is said to be \$20,000 yearly. S. T. C. Dodd, for years the chief legal official of the company, has been reported to be receiving \$250,000 a year, but this now is said to be far in



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THE UNIVERSITY OF CHICAGO. Founded by John D. Rockefeller.
(North section, looking east.)

Nearly 5,000 Students attend this University.

excess of the actual figures. In fact, economy reigns in Standard Oil as elsewhere.

Naturally it is to be supposed that most of the Standard Oil dividends went into the hands of the Rockefeller family. Indeed, when it is seen to what purpose this accumulation has been placed it is proof that such was the case. Such

a vast amount of money piling up hour by hour and minute by minute had to find some place for investment, for the Rockefeller party always is looking for increased profits of the wealth it controls.

With some few mistakes, but generally with a marvelous understanding of



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THE UNIVERSITY OF CHICAGO. Founded by John D. Rockefeller.

(South section, looking east. "Midway" of World's Fair fame shown at right.)

361 Instructors (year 1903-1904).

the increasing wealth of the country, the guiding genius of this great money family directed the accumulating wealth into banks—where great amounts of the people's savings were deposited—thus giving greater financial power; into boards of insurance companies, where more savings of the people found lodgment and where still more power was secured; into the railways and steamship

lines—upon which the public had to depend for transportation and to which it constantly paid tribute in freight and passenger tolls: into gold mines, coal mines, gas, electric and telephone and telegraph companies: in short, wherever wealth would bring wealth.

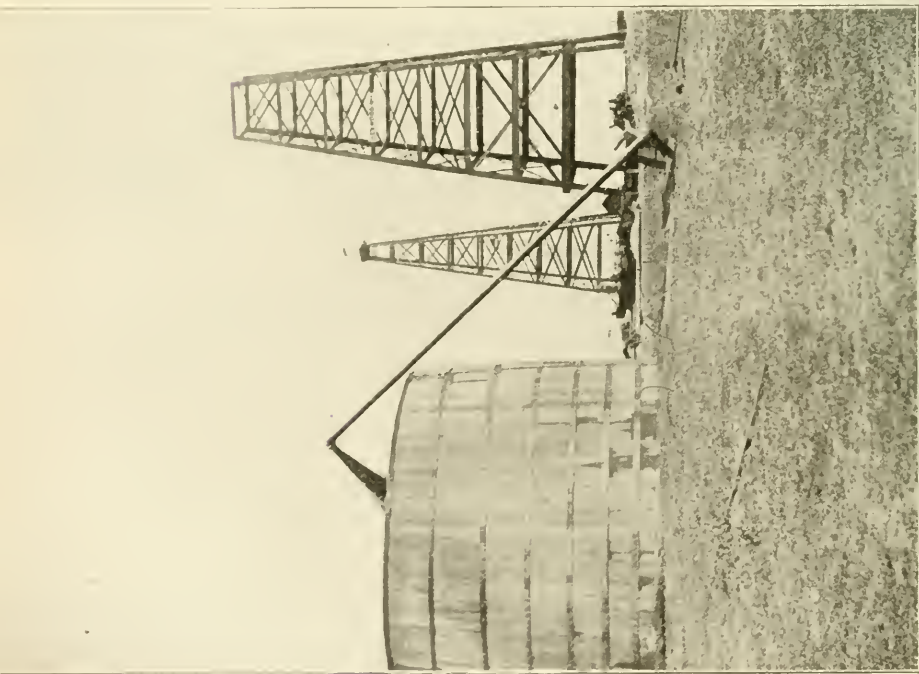
John D. Rockefeller recently resigned from the board of the United States Steel corporation because of a desire to lay off some of the cares of business in his advancing years. This left him as an officer and director of only one corporation in the country—his pet Standard Oil company. He even has repudiated publicly his connection with the Amalgamated Copper company, scandals against which brought the name "Standard Oil" into great disrepute. But through such representatives as his brother William Rockefeller, his son John D. Rockefeller, and the other lieutenants of his money army such as William G. Rockefeller, James Stillman and Henry H. Rogers, he and the so-called "Standard Oil crowd" constitute the largest stockholders in railroad and industrial companies in the United States, if not in the whole world. Probably this much could be said of John D. Rockefeller as a single investor, apart from the association of his lieutenants and co-operators.

The "Standard Oil" influence is now openly recognized in the management of railways having a mileage of over 131,000 miles—nearly 65 per cent of the total railway mileage of the United States. Some of the many companies in which this party is almost all-powerful are the following:

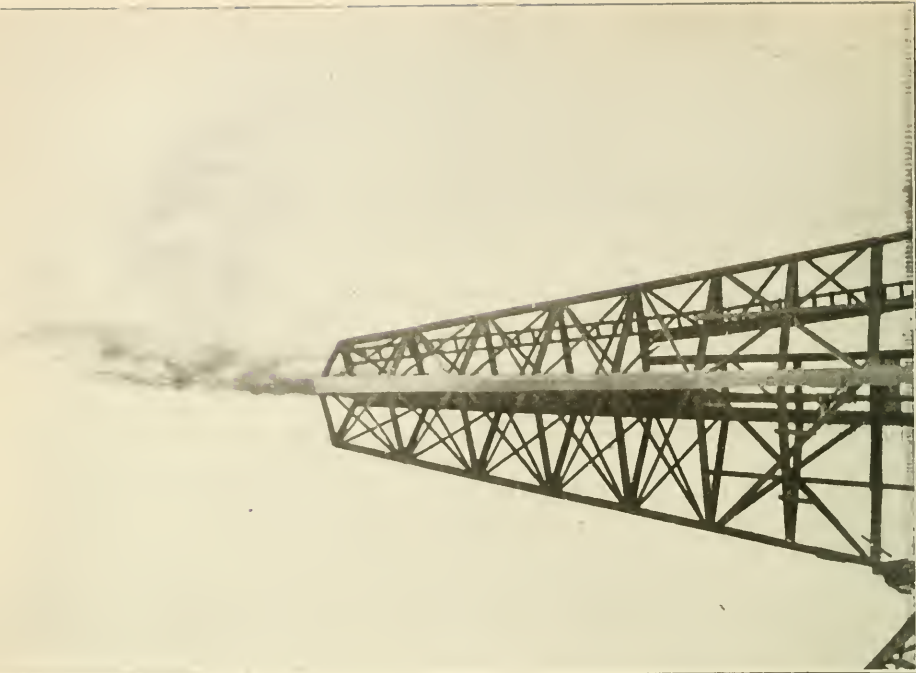
National City Bank.	Newport Trust Co.
Bank of the Metropolis.	New York Trust Co.
Bowery Savings Bank.	Riggs' National Bank, Washington.
Central Realty Bond and Trust Co.	Second National Bank.
Columbia Bank.	United States Trust Co.
Farmers' Loan and Trust Co.	Standard Oil Co.
Fidelity Bank.	United States Steel Corporation.
Fifth Avenue Safe Deposit Co.	Colorado Fuel and Iron Co.
Fidelity Trust Co.	Tennessee Coal and Iron Co.
Hanover National Bank.	American Linseed Oil Co.
Guaranty Trust Co.	Federal Mining and Smelting Co.
Industrial Trust Co.	Consolidated Gas.
Lawyers' Title Insurance Co.	Brooklyn Union Gas.
Lincoln National Bank.	East River Gas Co., Long Island
American Surety Co.	Mutual Alliance Trust Co.
Lincoln Safe Deposit Co.	Mutual Life Insurance Co.
National Butchers' & Drovers' Bank.	New York Carbide Acetylene Co.
National Citizens' Bank.	National Transit Co.
National Bank of Fairhaven.	New York Mutual Gas Light Co.

National Fuel Gas Co.
New Jersey and Staten Island Ferry
Co.
Rapid Transit Ferry Co.
Richmond Borough Co.
Richmond Light and Railroad Co.
Staten Island Ferry Co.
Tennessee Copper Co.
Allis-Chalmers Company.
Audit Company of New York.
George A. Fuller Company.
New York Life Insurance Co.
Queens Insurance Co.
Terminal Warehouse Co.
Western Union Realty Co.
Union Pacific Railroad.
Central Pacific.
Southern Pacific.
Galveston, Harrisburg and San Antonio.
Houston and Texas Central.
Illinois Central.
Kansas City Southern.
Morgan, Louisiana and Texas R. R.
& S. S.
Oregon and California.
Oregon Short Line.
Oregon Railway and Navigation.
Texas and New Orleans.

Pacific Coast Railway.
Baltimore and Ohio.
Chicago and Alton.
Atchison, Topeka and Santa Fe.
Erie.
Northern Pacific.
Chicago, Burlington and Quincy.
Delaware and Hudson.
Denver and Rio Grande.
Rio Grande Western.
Northern Securities Company.
Pacific Mail Steamship Co.
Chicago, Milwaukee and St. Paul.
New York Central.
Lake Shore and Michigan Southern.
Delaware, Lackawanna and Western.
Missouri Pacific.
Central New England Railway.
Harlem River and Port Chester.
Hartford and Connecticut Western.
New York and Harlem.
New York, New Haven and Hartford.
Poughkeepsie Bridge Co.
Atlantic Coast Electric Railroad.
Missouri, Kansas and Texas.
Chicago and Northwestern.
Louisiana Western Railroad.
Morris and Essex.



FILLING A TANK WITH CREUDE OIL FROM THE GROUND.



A "GUSHER" NOT UNDER CONTROL.

SCENES IN THE OIL FIELDS, BEAUMONT, TEXAS.

The remarkable discoveries of oil in the district centering at Beaumont have startled the world and are an important factor in the extension of manufacturing industries in the great Southwest, the oil being used as a motive power instead of coal. The Southern Pacific Railway is a pioneer in using oil-burning locomotives. Even ocean-going steamships leaving the ports of Texas now use oil as fuel. Here "gushers" producing from thirty to seventy thousand barrels of oil per day are not uncommon, and apparently the supply is inexhaustible.

CHAPTER VIII

THE TRUST IN OIL—THE STANDARD OIL COMPANY.

How Advantageous Transportation Rates Called Discrimination Helped Build a Gigantic Monopoly and Crush Out Competition—The Famous South Improvement Company—The Ohio Supreme Court Ousted the Standard Oil Trust from that State—The Oil Fields of the World.

IF THERE is any trust in the strictest sense of the word—a corporation or combination which monopolizes the business of its field—it is the Standard Oil Company, organized and dominated by John D. Rockefeller and his lieutenants. In fact the title of "trust" now given with much ill feeling generally to all corporations that are simply "big," whether they are what the term signifies or not, came from this organization—the father of monopolies as we know them in this industrial age. For the Rockefeller oil concern, with its control of about 85 per cent of the more than 119,000,000 barrel output of oil in the United States and of 90 per cent of the export trade, was known as the Standard Oil Trust for many years up to the time it was forced to change its form to the Standard Oil Company under the laws of New Jersey in 1899.

The history of the Standard Oil Company practically is the history of monopoly and the fight of monopoly restraint in America. In the year 1865 John D. Rockefeller began his career in a small way by refining petroleum at Cleveland, Ohio. At that time the oil industry was in its infancy; indeed, before the discovery of the Drake oil well at Titusville, Pa., in 1859, it was necessary to distill coal into petroleum before refining petroleum into the useful product, kerosene. Hardly a year had passed from the time of Drake's success, however, than many new wells were sunk around Oil City and the Allegheny River. Immediately after this the production of petroleum grew tremendously: "oil fever" struck the speculators as the "gold fever" had in 1849. The demand for oil in 1865 had become so enormous that the refineries of that period could by no means handle the heavy business.

Rockefeller was one of the first to see the opportunity ahead of the refining business and was also one of the first to see the necessity of handling the business on a large scale so as to save expenses in refining. Therefore, in 1867, he united into the firm of Rockefeller, Andrews & Flagler his own firm and those

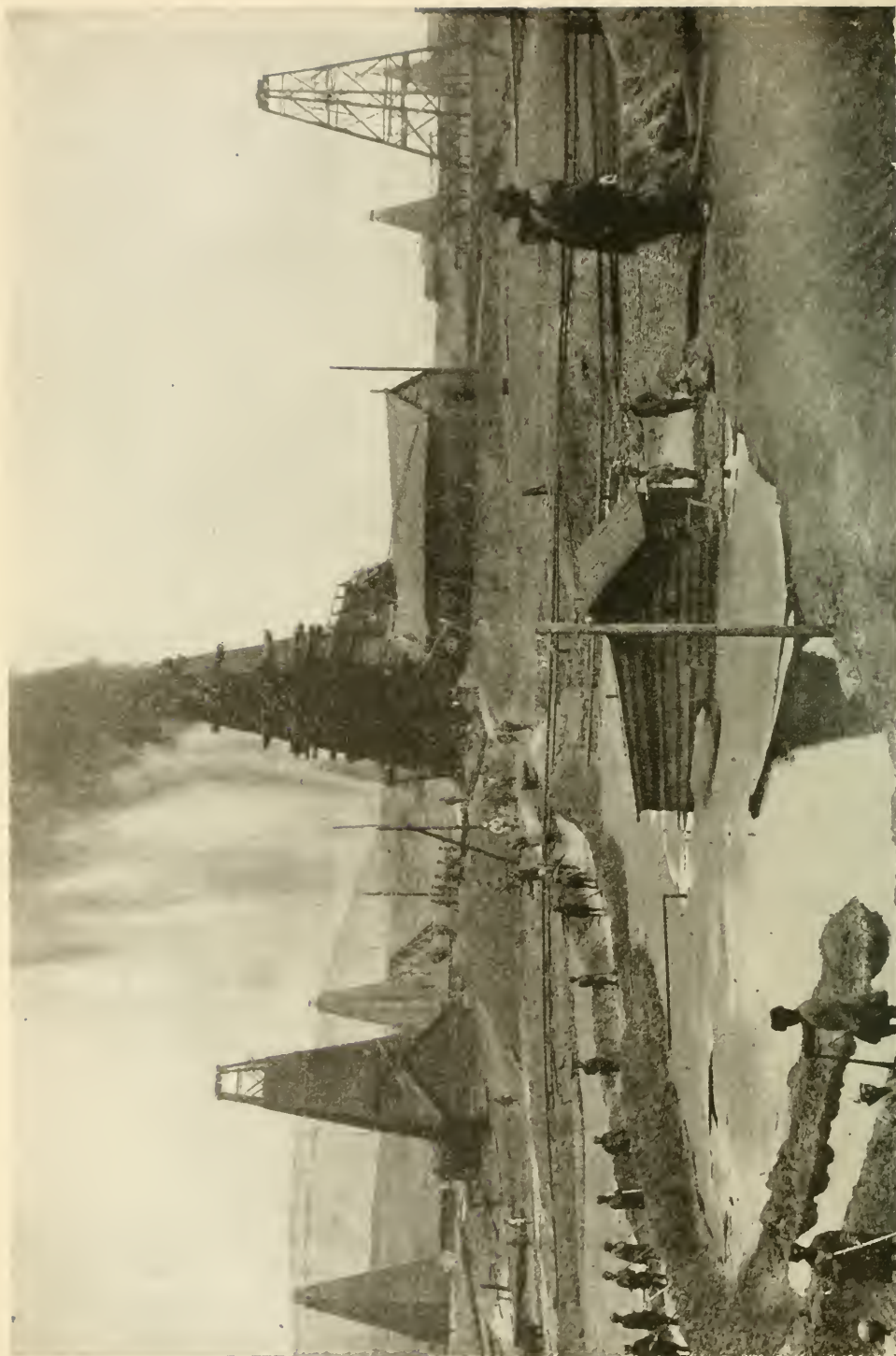
of his brother and several friends. The cause of this combination as stated by J. D. Rockefeller himself "was the desire to unite our skill and capital, in order to carry on a business of some magnitude and importance in place of the small business that each had separately heretofore carried on." The business of this enlarged firm grew rapidly and the Standard Oil Company of Ohio succeeded it, with a capital stock of \$1,000,000. At this time Standard Oil, while being larger than most of its competitors, produced only 4 per cent of all oil refined. But at that time the oil interests of the country stretched only from Louisville, Kentucky, to Portland, Maine, and consisted of some 250 refineries. From this point on to 1877 the growth and progress of the Standard Oil was so great that its 4 per cent of the country's output increased 85 per cent. During these years its chief advantage in growth was the ability to get advantageous transportation rates—called discrimination.

In 1871 the famous South Improvement Company had been organized by Standard Oil interests for making contracts with such railways as the Pennsylvania, Erie and New York Central by which the Standard should ship 45 per cent of its oil over the Pennsylvania and divide the remainder equally between the other roads and receive in turn from the roads rebates on all petroleum and its products carried by them, regardless of who the shipper might be. Furthermore, the roads were bound by agreement not to charge less than full rates to all other parties who shipped oil by them. The roads even entered into a contract with this South Improvement Company to foster the interests of the Standard Oil and to prevent it against loss or injury by competition. At once a great fight arose against such methods. Oil producers refused to sell to the Rockefeller refineries. But the Standard grew fat on its rebate power and steadily increased this by absorbing other refineries, enlarging its capital stock and checking competition as rapidly as possible. In 1872, the form of combination among several refineries was known as an "alliance." In 1882 the Standard Oil Trust was formed. This was not a combination of corporations, but of stockholders, who were able to control business although outwardly the several companies continued to do business as before. In the meantime pipe lines were laid to facilitate the carrying of oil. This became as great an influence for monopolizing the oil trade of the country as the secret railway rebates in the company's early history. In the fights that developed to seize more control on the part of the Standard Oil and to save the remnants of a collapsing business by the independents, rival pipe line companies were organized. At one time the Pennsylvania Railroad carried oil at eight cents a barrel less than cost. In the end the Standard Oil won.

In the meantime the people had been rising to crush out this monopoly which had checked all competition in the domestic oil situation. For ten years the Trust existed and the capital controlled increased to \$121,000,000. But in 1891 the attorney general of the State of Ohio began proceedings to oust the Trust as a corporation because it had abused its corporate franchises under which it had operated. In 1892, the Ohio court handed down an important ruling that it was illegal for members of several corporations to combine as members and merge their interests in a trust. This, it declared, was in restraint of trade, opposed to public policy and therefore illegal. This put an end to the old form of consolidation and caused the formation of the Standard Oil Company of today, which holds twenty companies which were the offspring of the dissolved Trust. At the time of the new incorporation in 1899 under the laws of New Jersey, which permitted the practical consolidation of all companies into one, the following were the reported component parts of the new kind of "trust":

	Appraised value.	Capitalization.
Anglo-American Oil Co., Ltd.....	\$ 6,913,639	\$ 5,000,000
Atlantic Refining Co.....	8,631,376	5,000,000
Buckeye Pipe Line Co.....	7,941,038	10,000,000
Eureka Pipe Line Co.....	1,547,055	5,000,000
Forest Oil Co.....	3,528,813	5,500,000
Indiana Pipe Line Co.....	2,014,953	1,000,000
National Transit Co.....	25,796,712	25,455,200
New York Transit Co.....	4,999,300	5,000,000
Northern Pipe Line Co.....	707,067	1,000,000
Northwestern Ohio Nat. Gas Co....	1,396,760	3,278,500
Ohio Oil Co.....	8,260,378	2,000,000
Solar Refining Co.....	711,793	500,000
Southern Pipe Line Co.....	3,279,918	5,000,000
Southern Penn Oil Co.....	3,021,654	2,500,000
Standard Oil Company of Indiana....	1,038,518	1,000,000
Standard Oil Company of Kentucky...	3,604,800	1,000,000
Standard Oil Company of New Jersey.	14,983,943	10,000,000
Standard Oil Company of New York..	16,772,186	7,000,000
Standard Oil Company of Ohio.....	3,426,014	3,500,000
Union Tank Line Company.....	3,057,187	3,500,000
Total	\$121,631,304	\$102,233,700

Since the incorporation of the Standard Oil Company in 1899, control of many other properties has been gained. Some of these are the East Ohio Gas Company, the Shawmut Oil Company, the Cumberland Pipe Line, the Pacific



A GUSHING OIL WELL IN THE BAKU FIELDS, RUSSIAN CAUCASUS.

It is not generally known and will be surprising to many that the greatest developed oil field in the world is in Russia on the west shore of the Caspian Sea. Much of the territory is controlled by the Russian government as a public utility.

Coast Oil Company, the People's Natural Gas Company of Pittsburg and others. It is believed also to control the G. M. Guffy oil interest. Standard Oil's interests radiate throughout the entire country and now cover all those of importance in the great oil fields of Texas and California as well as its original fields in Ohio, Kentucky, Pennsylvania, West Virginia, etc.

The principal concern that dares to lift its head against Standard Oil is the Pure Oil Company, a corporation of \$10,000,000 capital stock which works in harmony with an independent seaboard pipe line, the United States Pipe Line Company. Even in this pipe line the Standard Oil Company has a minority interest. Elsewhere there are about sixty independent refineries of small importance who also are fighting the Trust in the oil business.

The authorized capital stock of the Standard Oil Company is \$100,000,000 of common stock and \$10,000,000 5 per cent non-cumulative preferred stock. Of the former \$97,500,000 has been issued. It has never been stated whether the preferred stock has been issued or not. Following are the mighty names which appear on the official roster of the company: John D. Rockefeller, president; W. H. Tilford, treasurer; Charles M. Pratt, secretary, and William Rockefeller, John D. Archbold, Henry M. Flagler, Henry H. Rogers, Oliver H. Payne, C. W. Harkness, F. Q. Barstow, J. A. Moffatt, Walter Jennings and E. T. Bedford, directors.

The Oil Fields of the World.

Of late years the public has become so familiar with the Standard Oil company as a financial influence on the entire course of trade, that there has been a tendency to forget the real operations which gave the company its strength and riches in the beginning. For it is true that the Standard Oil company is the greatest producer of petroleum and the by-products of mineral oil in all the world. The industrial side of the oil business is hardly less picturesque than the financial operations of the great company.

The greatest oil fields in the world, at least as far as developed properties are concerned, are divided just about equally between the Eastern and the Western hemispheres. Most important of these from the American viewpoint, and, indeed, from the development of the oil trade in general, is the one which extends from western Pennsylvania, across Ohio, and into Indiana. This is the scene of the oil excitement of fifty years ago, when bonanza fortunes were made in a day and the whole land seemed saturated with petroleum and the wealth that flowed from it. Here were produced such characters as "Coal Oil Johnnie" and his kind, who became millionaires in a moment and

dissipated their fortunes almost as rapidly. Here in these central states was born the Standard Oil company, and from here its operations ramified until they extended over the entire world.

The other field of like magnitude and importance, in some respects surpassing even the American oil-bearing districts, is that which centers at Baku, a Russian port on the west shore of the Caspian Sea, just south of the Caucasus Mountains. The Caucasus is a great range which extends from the Black Sea to the Caspian Sea, forming the boundary between Europe and Asia. The country to the south of the range was formerly included in the ancient Asiatic kingdom of Georgia, but for the last century it has been a part of the Russian empire and is called the Province of the Caucasus. The capital is Tiflis, about half way between the Black Sea and the Caspian. A railway connects Batum on the Black Sea with Baku on the Caspian, passing through Tiflis.

In the apportionment of the petroleum industry of the world, the Standard Oil company has been allotted the Western hemisphere and the east coast of Asia, while the great corporation controlled by the Rothschilds confines its operations to Europe, Africa, the Indian Ocean and Western Asia. Of course there are minor companies with local trade in many countries, but the greatest volume of traffic in petroleum or naphtha and its products is in these hands.

The contrast between the Titanic mountain scenery of the Caucasus and the industrial activities of Baku is a striking one. For many miles along the shore of the Caspian Sea the earth and the air are saturated with petroleum. Hundreds of great oil wells pour their liquid wealth into gigantic reservoirs, to await shipment by rail or vessel to the European and Asiatic markets where the product is consumed. Sometimes a great well bursts from all restraint and pours forth a flood of petroleum which runs to waste until the stream can be diverted into a temporary earthen reservoir. When fires occur here, there is little to do but let them exhaust themselves. Sometimes the losses reach millions of dollars before a limit can be placed upon the ravages of the flames. The Baku oil fields seem to be inexhaustible, and already they have brought immense wealth to all those heavily interested in them. The annual product of petroleum here is nearly fifty million barrels.

The naphtha product of the fields surrounding the Caspian Sea has been utilized for fuel in much larger degree than has been true in the United States. Almost every railway engine and steamship operating in the Russian Empire depends entirely upon petroleum for fuel. Inasmuch as many of these railway lines, and some of the greatest rivers, on which large fleets of

steamships ply, connect directly with the Caspian Sea, the fuel is available with the least expense for shipment to the place of consumption. The Russian railway which penetrates eastward into Asia from the shore of the Caspian almost to the confines of India and China, likewise depends upon Baku petroleum for fuel. Another field is now under process of development, directly across the Caspian from Baku, and the indications are that here on the edge of the desert an enterprise will grow hardly second to its neighbor.

The marked difference between the wells of the Baku fields and those of Pennsylvania and Ohio is that in the former a few wells produce enormous quantities of naphtha by a natural flow, while in the latter many wells are drilled, and it is necessary in most instances to employ pumps to bring the oil to the surface in a comparatively small stream. The Asiatic wells spout like huge fountains, as high in the air as the boiling geysers of the Yellowstone Park, yielding thousands of barrels daily from a single bore. Their American rivals require many wells to produce the same quantities.

There is, however, an American field where petroleum has been discovered in recent years, in which the characteristics are more like those in the region of the Caspian. These later discoveries centered at Beaumont, Texas, where gushers producing from 30,000 to 70,000 barrels of petroleum a day were opened a few years ago. In the height of the excitement over these discoveries bonanza fortunes grew as rapidly as had been the case in earlier times, when oil was first discovered in Pennsylvania. Of late the field has been less conspicuous, partly because it had been over-boomed and over-developed, and partly because neither transportation nor consumption has reached the capacity necessary to justify the tremendous yield.

California, too, has been contributing largely to the oil supply, and latest of all in America, Indian Territory, Oklahoma and Kansas have been added to the list. In other countries, important discoveries have been made in Australia, China and in certain of the East Indies, but these latter fields have not been developed sufficiently to make them factors in the markets of the world.



MEMBERS OF THE KANSAS LEGISLATURE WHO "KICKED STANDARD OIL" FROM THEIR STATE.

This is a remarkable photograph of the 1905 House of Representatives of the Sunflower state, which so vigorously handled the Standard Oil Co. in its endeavor to create a monopoly of the petroleum production of that state. This is probably the first time that the Rockefeller interests publicly met with defeat. The state intends to conduct its own oil refineries, an example that may be followed with profit by other states.

CHAPTER IX

THE WAR ON STANDARD OIL.

Kansas Legislation Appropriated Money for a State Refinery to Refine the Oil Produced in that State—The Pipe Line Made a Common Carrier in Kansas—"The Entire Business is Dependent upon the Pipe Line System"—Signs now Point to Federal Control of the Pipe Lines—Pursuing a Policy with the Motto "Business is War."

IT WAS early in 1905, after President Roosevelt had uttered his celebrated "square deal" doctrine, that the Standard Oil Company suffered the worst attack against the abuse of its monopoly that it ever had experienced. The strictures against the domineering methods of other monopolies, the exposures of "graft" in high places, bank defalcations, rows in life insurance companies and other high financial circles—all these scandals had raised a storm of protest for the common people, a storm that swept across the whole country, dashing in fury at the walls of nearly every trust and even assailing many good men and institutions simply because they were big and powerful.

This anti-trust wave found the oil business in a peculiar position. In the first place, there was danger that the Standard Oil Company would lose its iron grip of monopoly on the oil business of the world. A few years before this there had been discoveries of great oil regions in Texas and California. People in these neighborhoods went oil mad, speculating and booming property. The immediate result of the rush to these districts was overproduction of oil—that is, more oil was produced than there was immediate market for at the prevailing high prices. Abroad a similar condition prevailed. Whereas the Standard Oil had had a monopoly of most of the districts of Europe and could dictate prices from day to day without fear of competition, there arose a movement whereby at least a dozen of the largest banking houses of Europe interested themselves in the oil fields of Russia and elsewhere and began cutting prices right and left in order to drive out Standard Oil.

Thus the Standard found itself up against a formidable rival and in order to hold its supremacy had to meet in the fight with weapons of the same kind

— low prices. Foreign interests even began to invade the oil fields of the United States. And at this point the serious phase of the situation developed in the fact that the Standard Oil Company did not control the oil *production* of the United States through actual ownership, but through the purchase of oil from the well owners or producers who leased their output to the Standard at the prices the Standard was willing to pay. When the Standard began to cut prices there was a wail from every well owner. But the overproduction of oil both in Europe and the Far East continued. This checked the amount of export business of the Standard and, of course, at once worked against domestic conditions, where the oil that had been produced for export could not find a home market. Prices fell rapidly; in a very short time it had amounted to sixty cents a barrel. Of course the Standard Oil officials were alarmed about the prospect of losing profits and they had to curtail. They explained that the price for oil must be regulated by supply and demand. They even stated that unless oil production was lessened prices would go still lower, for only a certain amount of oil could be used at certain prices. Everybody seemed to be pushing the work of production of oil at the wrong time. Prices in Europe fell the same as those in the United States. The actual estimated production of oil in the United States, which was a partial cause for this stress in the oil market, is shown in the following government statistics for 1904 and 1903:

	Barrels—	
	1904.	1903.
California	29,700,000	24,382,472
Texas	20,000,000	17,955,572
Ohio	19,062,550	20,480,286
West Virginia.....	12,754,005	12,899,395
New York and Pennsylvania.....	11,999,055	12,518,134
Indiana	11,315,000	9,186,411
Louisiana	6,800,000	917,771
Kansas, Indian Territory & Oklahoma.	6,000,000	1,071,125
Kentucky and Tennessee.....	1,015,068	554,286
Colorado	500,000	483,925
Wyoming, etc.....	12,000	11,960
Totals	119,157,678	100,461,337

But if the increase in domestic oil production in one year was nearly 19,000,000 barrels, it was even greater over a long period. Indeed, the increase in twenty-five years was 49,250,000 barrels. Then, as has been said, the foreign production was a very great factor in the competition, the princi-

pal competitor of the United States being Russia. Following are some of the statistics on foreign production:

	Barrels.
Russia, normal annual production . . .	80,584,000
Dutch Indies, normal annual production	7,275,000
Galicia, normal annual production . . .	5,235,000
Roumania, normal annual production .	3,975,000
Burma, normal annual production . . .	2,510,000

Now, all this may or may not have been considered by the people who had been crying out against trust aggression. But as soon as prices began to decline, they charged that the Standard Oil Company was depressing the market maliciously in order to gain a better grip on its monopoly. The center of the storm was in Kansas and Indian Territory, where the oil production was more than the Standard Oil said it could market and where 25,000,000 barrels a year could have been pumped if prices tempted such excessive production. This, compared with the 80,500,000 barrels a year of all Russia, suggests the possibilities of the glut in the oil market.

The storm broke when the producers of Kansas took their troubles of production and low prices before the state legislature. Charges of discrimination were made. The independent producers of the state banded together into a \$7,000,000 company to fight the Standard. The legislature practically kicked the Standard out of Kansas, made an appropriation for a state refinery to refine the oil produced in Kansas so as to be independent of the trust, and persuaded the federal government to make a searching inquiry into the manner in which the Standard Oil conducted its monopolistic business. Hardly had this been done than legislatures throughout the country, almost as one body, began congratulating Kansas for the fight it had made for fair dealing. State after state passed resolution condemning the practices of the trust. In some states there was an attempt to stop the building of pipe lines—the medium through which the trust by reason of easy transportation gains most of its monopoly power. The action of the Kansas independent incensed the Standard Oil Company, which ordered all operations in that state suspended.

This in turn embittered the Kansas oil men. As Congressman Campbell of Kansas said, "this was arbitrary business. When oil was discovered in Kansas its development was undertaken by the farmers who owned the land. They sank their own wells and whenever one was 'shot' an agent of the Standard was on hand to pat the farmer on the back and tell him to go ahead.

They furnished the money in advance, took the oil out at a dollar a barrel, and shipped it to Kansas City, thus encouraging production and stimulating the digging of wells throughout the whole field. Then came the Standard Oil Company's pipe line. The owners equipped their wells, made the necessary connections at their own expense and prepared to ship their oil, with the visions of fortunes at the promised rate of \$1 a barrel. Tank cars disappeared, the pipe line became indispensable, and then the price dropped and kept on dropping until it reached 47 cents a barrel. This may have been an old game through Pennsylvania, but it was a new one for Kansas. The people had been encouraged to spend their money sinking wells and the developing the territory. When the development had reached its limit the Standard Oil Company put down the price, and as there was no other pipe line and no other refinery, there was no market for the product. The Standard Oil Company resorted to tactics that were disreputable and illegal. Because farmers and people dependent upon them asserted their ordinary rights and asked relief of the legislature they were boycotted and blacklisted by the Standard Oil Company. Mr. Rockefeller's men issued an edict forbidding their agents purchasing any oil in Kansas. This resulted in throwing out of employment not less than 10,000 men. Lessees of fully 4,500 wells will be ruined financially unless something is done to curb the monopoly. Flowing wells are going to waste, oil is running over the country and pumping wells, of course, have abandoned operations. Towns which largely increased in population as a result of the discovery of oil, by a mere edict of the Standard Oil Company, have been reduced to a condition of commercial prostration and the people are being thrown upon the streets without employment or capital. The Standard Oil Company is a pretty big concern, but the people of Kansas and the country at large purpose to find out whether this company can resort to illegal methods to crush out its competitors and control the price of its raw material without being punished in the federal courts."

So serious were the charges against the Standard Oil before the Congress of the United States that in directing the President and the Secretary of Commerce and Labor to investigate the business of the trust the following resolutions were passed by the House of Representatives:

"Resolved, That the Secretary of Commerce and Labor is requested to investigate the cause or causes of the low price of crude oil, or petroleum, in the United States, and especially in the Kansas field, and the unusually low margins between the price of crude oil or petroleum and the selling price of refined oil and its by-products, and whether said conditions have resulted in whole or

in part from any contract, combination in the form of a trust, or otherwise, or conspiracy in restraint of trade or commerce among the several states and territories, or with foreign countries.

"It also is proposed to investigate whether prices have been controlled in whole or in part by any corporation, joint stock company, or corporate combination engaged in commerce among the several states and territories, or with foreign nations: also whether such corporation, joint stock company, or corporate combination in purchasing crude oil or petroleum by any order or practice of discrimination boycotts, blacklists, or in any manner discriminates against any particular oil field; also to investigate the organization, capital, profits, conduct, and management of the business of such corporations, company, or corporate combinations, if any, and make an early report of its findings, according to law, to the end that such information may be used by Congress as basis of legislation, or by the department of justice as a basis for legal proceedings."

Perhaps one of the severest blows to the oil trust was the action of the Kansas legislature making the pipe line a common carrier—that is, enabling any one to use a pipe line as publicly as a railway for shipping oil across the country. The value of the pipe line to the oil trust is indicated in the statement made by the oil king himself, John D. Rockefeller, before an industrial commission. "The entire business is dependent upon the pipe line system," said he. "Without it every well would shut down and every foreign market would be closed to us."

It appears that the oil magnates soon discovered, upon embarking in their chosen field of monopoly, that ordinary methods of transportation would not serve the oil trust. In the first place the business grew rapidly as people came to know the use and value of petroleum. It cost too much to pack the oil and ship it across the country, hence the trust devoted its energies to the pipe line construction. Here is the way the oil king describes the conquest of the country's oil business:

"To operate the pipe lines required franchises from the states in which they were located, and consequently corporations in those states, just as the railroads running through different states are forced to operate under separate state charters.

"To perfect a pipe line system of transportation required in the neighborhood of \$50,000,000 capital. This could not be obtained or maintained without an industrial combination. The pipe line system required other improvements, such as tank cars upon railways, and, finally, tank steamers. Capital

had to be furnished for them and corporations created to own and operate them."

It seemingly had never occurred to the federal government that pipe lines were in the same class of common carriers as the railroad, and carriers engaged in business on rivers and other bodies of water. Because of this the federal government did not have jurisdiction over the acts of the oil trust in operating its pipe lines. Signs now point to federal control. Indeed Rockefeller himself testified that this would be the natural trend when he pointed out the dangers of combination which he himself was effecting and the remedies which might be evoked. This is what he said:

"The dangers are that the powers conferred by combination may be abused—that combinations may be formed for speculation in stocks rather than for conducting business, and that for this purpose prices may be temporarily raised instead of lowered. Combination is necessary, and its abuses can be minimized; otherwise our legislators must acknowledge their incapacity to deal with the most important instrument of industry. Hitherto most legislative attempts have been an effort not to control, but to destroy. Hence their futility. First, federal legislation, under which corporations may be regulated, and, second, in lieu thereof, state legislation as nearly uniform as possible, encouraging combinations of persons and capital for the purpose of carrying on industries, but permitting state supervision, not of the character to hamper industries, but sufficient to prevent frauds upon the public."

All the turmoil which had been caused by conditions of over production in the oil business, and the cry for the "square deal" brought replies from the Standard Oil Company. From the time the Rockefellers first started business their policy was never to let any one know what they did. Stockholders never knew what the company really earned. The public never knew what oil cost. No one knew what methods would be employed next to crush out competition. In fact publicity was a word unknown to Standard Oil. No. 26 Broadway, New York, was synonymous with reticence. It was known only too well by those who did business with Rockefeller, Flagler, Rogers or any of that stamp that to "leak" any information was commercial suicide. As has been shown in the chapter describing the great financial party known in Wall street and everywhere else as "Standard Oil," there was never any actual connection with the oil concern called the Standard Oil Company and the many banks, railways, and industrial trusts said to be under "Standard Oil" influence. Still the association of James Stillman, the head of the National City or "Rockefeller" bank, and H. H. Rogers, the right hand man of the Rockefellers in all

sorts of financial undertakings, unfailingly brought the inference that the power of the Rockefellers was back of such projects. It goes without saying that William Rockefeller, who for weeks at a time absolutely controlled the machinery of speculation on the New York Stock Exchange, could not escape from classing, by this very action, great speculative deals in which he and H. H. Rogers, and James Stillman were concerned as "Standard Oil" operations. Such deals smacked too much of the Rockefeller or "Standard Oil" family methods to escape public attention and public branding. Yet when the speculators and magazine writers, among them Thomas W. Lawson of Boston, began laying serious charges of misuse of public savings and abuse of public trust at the door of "Standard Oil," meaning thereby the financial clique of money kings, corporation magnates and speculative manipulators who had gathered around the Rockefellers, the generation of reticence of the Standard Oil Company was broken. No. 26 Broadway, New York, which, ever since it had housed the oil king, the financial king, the speculative king and his lieutenants, retainers and subjects had impudently affronted the public by pursuing a policy in every branch of industry with the motto that "Business is war," spoke at last.

And the statement that had been wrung out of the man who had been impervious to all former attacks was as equivocating as indeed some of the charges had been and was meant apparently to throw dust in the public's eyes. For the statement, issued by S. C. T. Dodd, chief counsel for the Standard Oil Company, was a quibble, attempting by making fine distinctions between the two sorts of "Standard Oil" which we have described here, to lead the public to infer that many of the charges laid truthfully to the door of the financial system called "Standard Oil" had no foundation in fact. Here is the first answer of the Standard Oil Company to the cry for the "square deal:"

"In view of the many false and misleading statements from various sources, the directors of the Standard Oil Company deem it advisable to state to the company's shareholders and the public that neither now nor at any time has the Standard Oil Company or any of its constituent companies been interested in any business not directly related with and necessary to the petroleum trade.

"It would be almost impossible to designate in this denial the different classes of business with which irresponsible parties have coupled the Standard Oil Company's name, but it may not be amiss to specify copper, steel, banks, railroads and gas (other than natural gas) as being most prominently mentioned. With none of these affairs has the Standard Oil Company been at any time connected.

"Individual members of the Standard Oil Company have been and are interested as individuals in various enterprises, but this is entirely outside of the business of the Standard Oil Company, which is oil alone, unaffected by other interests in which its stockholders may invest.

"Neither is it true that the Standard Oil Company, John D. Rockefeller or any officer of the Standard Oil Company has taken part in securing the nomination of any of the candidates for office, as is so positively stated. Furthermore, it is entirely untrue that there is any 'Standard Oil Party' banded together for speculation in stocks, as is commonly charged. The name of the Standard Oil Company is frequently used by designing persons in the manipulation of the stock market, but its use is unwarranted.

"The Standard Oil Company departs from its usual custom in making this denial for the reason that the statements being made at this time by newspapers, magazines and sensational public speakers appear to be unusually mendacious and may, to a great extent, mislead the public."

This action but drew greater attention to the oil trust and the men who ran it and were a great factor in running the whole financial, industrial and speculative machinery of the company. T. W. Lawson of Boston, who conducted a crusade against the Rockefeller party both in the press and in the stock markets of the country, answered the reply of Dodd and set up more and greater charges. We have already referred to the hesitancy of the Board of Missions of the Congregational Church to accept money from John D. Rockefeller for missionary purposes because of charges made that the money was tainted. This action brought out a typical statement by Lawson, which we reproduce as follows:

"It is a crying shame that the old gentleman, John D. Rockefeller, is so pestered and hectored at the vintage time of his wonderful career. The head of the greatest band of ruthless heart pluckers and soul drillers the world has ever seen, the old gentleman has risen to an eminence never before attained by man, an eminence where all, rich and poor, master and slave, saint and sinner, can focus his being between themselves and God's bright sun and size him up from his breast bone to his shoulder blade, from armpit to armpit. The old gentleman kicks against the sizing up, but he should bear with it, remembering that patience and fortitude always have been the heritage of the tribe of Shylock, and that he who dances must in time pay the fiddler.

"The tribe of 'Standard Oil' has had a long and merrily mad dance. Beneath their feet as they whirled have been thrown countless scores of human hearts, brilliant brains, enthusiastic souls, all gathered by the tribe, and many

and many a weary fiddler has faltered, dropped and died, or been dragged shrieking to the madhouse because he could no longer respond to the old gentleman's inexorable 'on with the dance.'

"I would give one word of advice to the wise old spokesman of the old gentleman Rockefeller, that wise lawyer who for forty years has shown his great master how to play hide and seek with the lords of his country, who for forty years has shown the tribe of 'Standard Oil' how to keep on the sunny side of prison bars—my advice is don't talk; it's a bad habit. When 'Standard Oil' talks the American people listen, and they may get irritated as they listen."

The Lawson diatribes, investigations by Congress and state legislatures and calumny in the press did not disturb John D. Rockefeller half as much as the charges made by Dr. Gladden. Mr. Rockefeller and his son John D. Rockefeller were great workers in the Baptist church and this assault upon his honor wrung the old man's heart and even caused him to close his home at Lakewood. The Rockefeller endowment of the University of Chicago started by reason of the fact that this great seat of learning originally was a Baptist institution. Furthermore the Rockefeller private life had been what everyone considered highly moral. A well-known periodical—*Leslie's Weekly*—in speaking of his family relations recently said:

"Many who greet John D. Rockefeller for the first time bring with them much prejudice engendered by the diatribes with which every one is familiar, and are surprised to find in him a man of finest courtesy, dignified, but graciously cordial to all. They leave, charmed at their reception, contrasting the demeanor of the dominant figure in the world's finance with the imposing grandeur of the little big man of their own home town. No man, however unimpressionable he may be, can stand in the presence of Mr. Rockefeller without feeling the repressed power of the man. He possesses in a marked degree that force of personal prestige that is the dominant attribute of every man of distinction in any sphere. In their efforts to fathom the mystery of his power over men, his most vociferous traducers have been forced to grant him this quality. It is through this secret of mastery of all men or things that he has kept the crowd at a distance, and has defeated its purpose to possess, at all hazards, that which he will never surrender—which the humblest citizen of this land claims the right to guard from public scrutiny—his personal privacy. John D. Rockefeller has a kind and generous heart, and is susceptible to such influences as govern the emotions of other men, but the sledge-hammer method of winning his affection has never proved successful. The true story of Mr. Rockefeller may never see the light.

Much of it is written in the hearts of those who come within the radius of his extensive private charities."

None of the big captains of industry ever took into their code of business ethics any rule of conduct which was based on "a fair show for the under fellow." An analysis of the character of the "oil king" probably would disclose the fact that working on the principle that "business is war" he had really never understood that in this twentieth century the code of ethics is changing to "a square deal for every man, rich and poor alike." At any rate, two replies to the charges of Dr. Gladden were made in a manner that showed how deeply Rockefeller felt the taint upon his "home" character as distinguished from his "office" character. One of these replies was by Henry H. Rogers, vice-president of the Standard Oil Company, business associate of Rockefeller and organizer of many of the companies for which Rockefeller tried to escape responsibility, and great power in the stock market and Wall street.

"Ministers say queer things," said Mr. Rogers. "Dr. Washington Gladden says that everybody knows that John D. Rockefeller has obtained his money dishonestly. With as much reason I could say that everybody knows that Dr. Gladden would not trust the ten commandments for ten days with the deacons of his church, because they would surely break some of them and bend the rest.

"Slavery in certain sections of the United States was legal until President Lincoln's emancipation proclamation. Rebates on railroads were just as legal until the passage of the interstate commerce commission act.

"After an exhaustive examination by the industrial commission, authorized by Congress June 18, 1898, in a review of evidence, the commission reported as follows:

"It has been charged as a matter of general belief on the part of almost all the opponents of the Standard Oil Company that these discriminations in various forms have been continually received, even up to date. On the other hand, these charges have been denied in toto and most emphatically by every representative of the Standard Oil Company with reference to all cases excepting one, which they claim was a mistake, the amount of freight due being promptly paid on discovery of the error. The Standard Oil Company not merely challenged the opponents to bring forth proof of any case but produced many letters from leading officials of railroads to show that the company had in no case received any favors or asked for them.' "

By this time Mr. Rockefeller's feelings were so deeply wounded that S.

C. T. Dodd was called in again to make reply for him, for Rockefeller personally would not do so. This statement was voluminous but because it shows the frame of mind and attitude of the world's greatest monopolist and money magnate we append it at length:

"There may well be a difference of opinion on the abstract question whether the Board of Missions should receive gifts unless satisfied that the giver is honest; but all will agree that if he who brings his gift to the altar must come with clean hands, still more should he who ministers at the altar and receives the gift be free from stain. There is no excuse for those who make money dishonestly and still less excuse for those who in the name of religion falsely accuse their fellow men.

"The objection to Mr. Rockefeller's gift is based upon the allegation that he made his money dishonestly. This accusation, if false, is vile, and being made by ministers in the pretended interest of morality is doubly vile. The assertion should not be made unless it can be readily established by specification and proof. I have seen no proof and no attempt even at specification, except in the protest of Dr. Gladden. He says, 'In this case the investigation has been thoroughly made and the facts are known. The legislative inquiries, the records of the courts have given the reading people of this country the materials for a judgment upon the methods of Standard Oil, and there never was a day when their minds were as clear on this subject as they are now.' Then follows the specification: 'Mr. Rockefeller may deny that rebates are now given to the Standard, but the Standard now controls about two-thirds of the railroads of this country, and its power is exerted in establishing classification of freights in such a way that it can kill competition. Rebates are no longer necessary.'

"The assertion is not true. No such state of facts has ever been disclosed by any investigation, nor supported by evidence in any court of law. No such facts exist to be proved. The Standard Oil Company does not own a share of stock of any railroad company, nor does it control any railroad company. Stockholders of the Standard undoubtedly invest in railroad as in other shares, but stockholders of the Standard are not a majority on the board of directors of any railroad company, so far as I am aware, and therefore cannot control.

"The question of railway rebates and Standard control of railways was investigated by the United States Industrial Commission in 1900, and they reported no such facts. Members of the Standard and of the railways were examined in relation to these subjects. It was shown that prior to the enact-

ment of the Interstate Commerce law the rebate system was universal. Railroads made their nominal rates higher than they expected to obtain from regular shippers, and the amount of actual freight to be paid was a matter of contract. Each shipper made the best terms he could. The Standard did not invent this system; it found it existing, and could not do business, without submitting to it. Like all other shippers, it made the best terms it was able to make with the railroads. Its refineries were located at points where it could take advantage of railway competition. It also strove to give equivalents for reductions in freight. It shipped not only carloads, but trainloads. It provided terminal and other facilities, and assumed all risks of loss. Public opinion, more enlightened in these days than in those, may have discovered that this was all wrong; but at that time the business man who did not accept that method would better have closed his shop.

"The stories told of the immense aggregate of the rebates paid to the Standard were shown by that investigation to be untrue. A large portion of the rebates paid were not discriminatory. They were paid to all shippers who shipped exclusively by rail. It was impossible for any shipper to know with certainty what rates his competitors were paying. The Standard often found that its competitors had been paying less rates than it paid. Furthermore, the public obtained the advantages of the low rates received. A reduced price for refined oil kept pace with reduction in rates, whether this reduction was by way of rebates or otherwise. And the price at which the public for many years has been obtaining oil would simply have been impossible had not shippers forced the railways to reduce their rates, which they did first by rebates and later by open schedule.

"The system of rebates has happily received the condemnation of law. The Standard welcomed the change as a beneficial one. But to say now that it should not have obtained the best rates under the old system which its position enabled it to obtain is an impossible counsel of perfection. The evidence before the Industrial Commission shows very clearly to any unprejudiced mind that since the enactment of the Interstate Commerce law the Standard has obeyed it in every particular. The evidence of the Standard managers and freight agents was corroborated by the certificates of managers and freight agents of all the leading railways of the United States, to the effect that by no rebates, arrangements, devices or plans of any character had the Standard received less rates than other shippers.

"It is true that allegations to the contrary were made before the Commission, but these were founded upon surmise, and were not sustained by proof.

Neither did the Commission find them to be true. Any candid man who will read the evidence must be satisfied of the truth of the facts sworn to by the Standard Oil Company, corroborated as they are by the officers and agents of the railroads themselves."



NEW STYLE OF GRAIN ELEVATOR.

Instead of using brick or stone in the construction of grain elevators, hollow cylinders of iron or steel are now employed. Such elevators have a capacity of holding anywhere from half a million to a million bushels of grain.



CHICAGO'S FINANCIAL CENTER.

La Salle street is to Chicago what Wall street is to New York, or Throckmorton street is to London. Here are great banking institutions—the homes of insurance companies—the Stock Exchange, and at the south end of the street, the Board of Trade. Here also is the Willard Temple, erected by the Woman's Christian Temperance Union, and the Young Men's Christian Association Building.

CHAPTER X

THE BEEF TRUST.

A Far-reaching Trust, as it Calls on Most Families Three Times a Day—It Fixes Its Own Prices—Both in the Buying of Live Stock and the Selling of Dressed Meat—Special Privilege through the Private Car System—Members of the Beef Trust Characterized as “the Most Arbitrary, the Most Remorseless, that Have Ever Been Known.”

IN SPACIOUS OFFICES in the Rookery Building, in the heart of the great financial district of Chicago called La Salle Street, there is quartered a company which may be said to hold the shattered hopes of a group of the most powerful captains of industry of the world. This is the headquarters of the National Packing Company, capital only \$15,000,000, which had been destined to control the meat trade of the whole world, a far-reaching trust with prospective capital stock of half a billion dollars. But law and a panic stepped in between hopes and realities and the actual accomplishment of well-laid plans came to naught. For, while this company is controlled in harmony by the large packing industries called the Beef Trust, it actually accomplishes the business principally of governing several smaller companies which it absorbed in preparation for the world-wide trust corporation which never came.

But if the government and financial troubles of 1903 prevented the incorporation of all the leading companies which deal in meat as a distinct stock company, the non-existence of such a corporation embracing the packing companies that operate in the Chicago Union Stock Yards and at Omaha, Kansas City, East St. Louis, St. Paul, St. Joseph and elsewhere does not prevent the actual existence of a meat trust in the true and monopolistic sense of the word. The United States Supreme Court has set its stamp of authority on the statement that the Beef Trust exists. The lower federal courts have taken up the work of the “square deal” in the effort to make this trust obey the law.

Generally speaking the trust is made up of what are called the “big six” packing firms that make Chicago their headquarters. These are Armour &

Co., Swift & Co., Nelson Morris & Co., the Schwarzschild & Sulzberger Company, the Cudahy Company and the first mentioned National Packing Company. Not all these companies, but most of them, control directly or through affiliated interests or family ties the packing business of America.

The gross business of the six companies is estimated at \$700,000,000 a year. They control seventy-five auxiliary companies, thirty-three plants scat-



RESIDENCE OF J. OGDEN ARMOUR, PRESIDENT OF ARMOUR & CO.

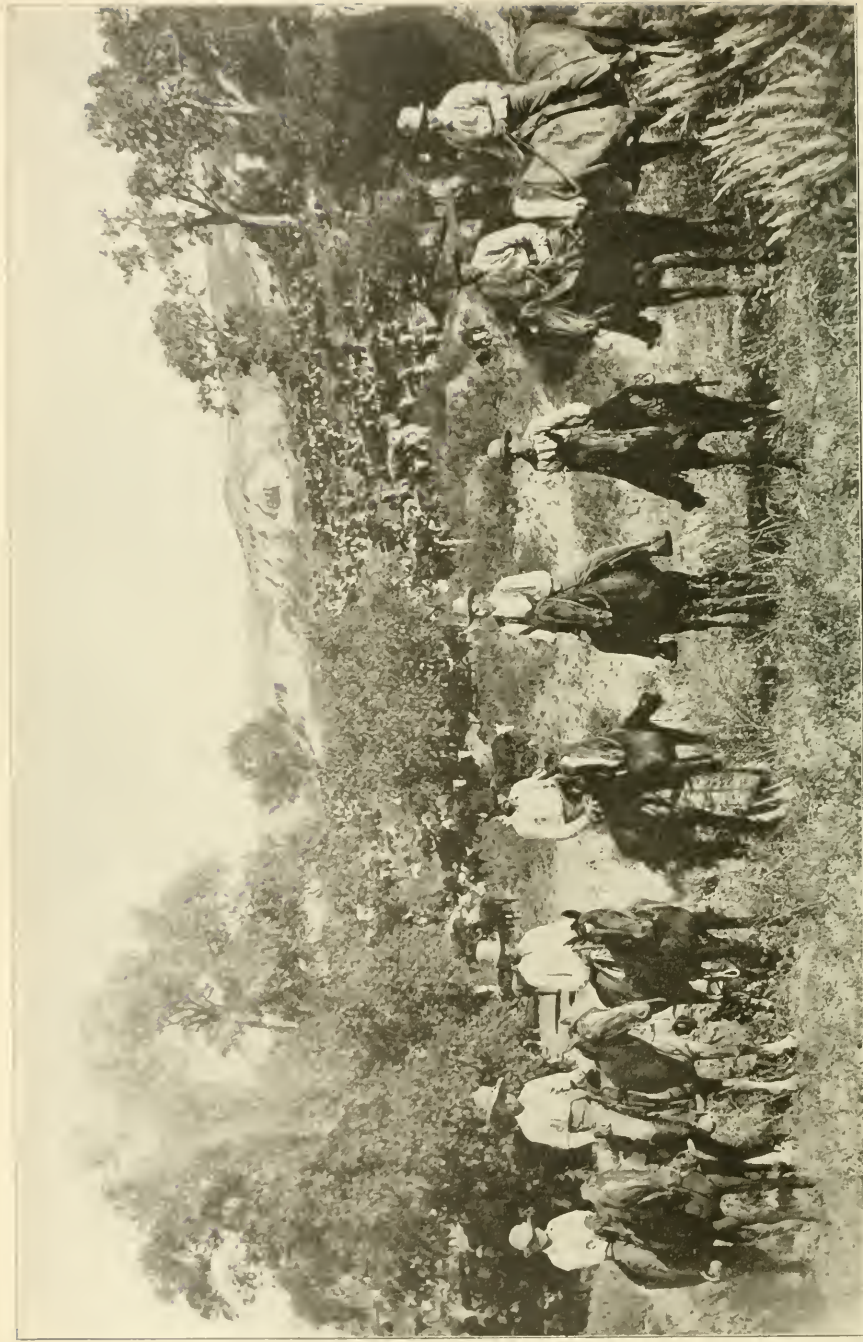
tered all over the country, and extensive private car lines for handling their products in 25,000 private freight cars. But when this is said perhaps the true significance of the character of the Beef Trust is not revealed.

In the first place, the trust—that is those interests working in harmony—has a substantial monopoly of the beef trade over a large section of the country, particularly in the large cities where there is little or no chance for competition with other concerns. It slaughters over one-half of the annual product

of cattle in the United States and even dominates the prices at which cattle, hogs, sheep, etc., shall be sold in the principal markets of the world. As for being far-reaching, the Beef Trust calls three times a day on most families of the civilized world for profits on its business investment. It goes across the ocean and collects tribute as readily as it knocks at the door of the home consumer of meat in Chicago. It fixes at its own will the price of every pound of fresh, salted, smoked or preserved meat prepared and sold in the United States—and this often regardless of actual conditions prevailing in the market for live animals. It fixes the price of every ham, every pound of bacon, every pound of lard, every can of prepared soup. It has an absolute monopoly of the dressed and preserved meat export business of the country. Furthermore, it controls the American trade in fertilizers, hides, bristles, horn and bone products. It owns or controls or dominates every slaughter-house worth considering. In one way or another it commands the fruit, butter, egg and poultry markets of the nation. Steam and electric railroads are owned or controlled by it and the interests allied with it, such as the Armour family, control or are vitally interested in such great street car and electric light systems as those of Kansas City, such great railway property as that jointly controlled with other interests in the great Chicago Subway system. It owns factories, shops, stockyards, mills, land and land companies, plants, warehouses—and some say even legislators and congressmen.

A great deal of loose talking has been done about the Beef Trust and the impression has gone abroad that the control of the food supply of the nation by this body of men with headquarters in Chicago is absolute in every respect. This is not wholly true, for no monopoly ever has been so absolute that some competition did not enter into consideration. In view of the importance of the field the Beef Trust occupies, however, and in view of the fact that the government has investigated the trust's operations, there is good reason for inquiring into the facts known officially as to what this trust accomplishes, how it works, how it is controlled and to what actual degree the public has paid tribute to the men of this great industrial combination. To do this we shall have to turn to the report of Commissioner Garfield who investigated the trust for the people through government channels.

The cause of this investigation was principally a great hue and cry that arose a few years ago over the price of meat at retail centers, especially in the eastern cities, compared with what animals cost at that time on the hoof. Charges were made by shippers that the packing house combination worked together in conspiracy to hold down the price of cattle when shipped to



CATTLE ON THE RANGE.

It is with the raising of cattle for market the same as any other industry. To assure the greatest possible profit it must be conducted along intelligent and scientific lines. There is a startling difference in the appearance of cattle now shipped to the great packing centers to what it was twenty years ago. In shipping, too, there have been marked improvements. Cattle are dehorned at an early age, so that when shipped they cannot injure each other in the cars. Throughout a long journey, in "palace" cars, they are carefully looked after by attendants, are well fed, watered, etc. Our photograph is a typical scene of cattle feeding in a rich valley, with the ever present "cowboys."

market. This, of course, was so as to get animals as cheaply as possible. At the same time it was charged that in order to hold these prices of live animals down the packers would retire from the market at times, thus glutting the supply and causing panic among the shippers. This, it was said, usually brought the live stock men to terms—the packers' terms. When these and other charges had gone to such an extent that Judge Grosseup in Chicago issued an injunction against the members of the packing combination from entering into a conspiracy to restrain trade, and when the State of Missouri had fined a number of the packers for violating the anti-trust law of that state, President Roosevelt had an investigation started. The report that was made covered only certain parts of the controversy, those dealing with industrial conditions. But these are of great interest.

In the first place this report, with one exception, is the only real light thrown on the methods of the Beef Trust. That exception is the annual report of Swift & Co. The reason the other members of the trust do not make reports is that they are private or close corporations, owned by the families by which they are run. Swift & Co. for several financial reasons, desire their employes and others to hold their stock, which amounts to \$35,000,000. Inasmuch as no one likes to buy stock unless it is listed on some stock exchange where its value can be known, and because the stock exchanges demand statements of earnings to be published, these annual statements are issued.

Commissioner Garfield's report showed that the stock of the various companies in the "big six" amounted to over \$90,000,000 stock and bonds of Swift & Co. This stock is made up as follows:

Armour & Co., \$20,000,000, par value \$100, no bonds.

Swift & Co., \$35,000,000, par value \$100, \$5,000,000 bonds.

National Packing Co., \$15,000,000, par value \$100, \$1,820,000 bonds.

Schwarzschild & Sulzberger \$5,000,000, par value \$100, \$3,000,000 bonds.

Nelson Morris & Co., \$3,000,000, par value \$100, no bonds.

The Cudahy Co., \$7,000,000.

In view of the amount of business done by these concerns the capital is very conservative as a whole. Here we find one thing in common with the Standard Oil Company. With the possible exception of Swift & Co., this capitalization is not on the basis of most modern business promotions, including great amounts of "watered" stock. If we go a little further into the Garfield report we find the reason, the ownership is concentrated with the packers themselves and was not scattered among investors. Had the great



DRESSING SHEEP, CHICAGO STOCK YARDS.

This view is of a photograph taken in one of the largest packing houses during the strike of August, 1904. Every effort was made, with the help of unskilled labor, to fulfill existing contracts. The packers were successful, the labor union losing the strike.

\$500,000,000 United States Packing Company been formed, as was planned before the efforts of the packers went amiss, we can see how much "water" between that amount and the present \$88,000,000 capitalization would have been sold to the public.

The greatest capital, that of Swift & Co., as a matter of course, is found where the stockholders are the most numerous. Even here, where there are 6,000 stockholders, we find that the average held is about 60 shares, but the control of this is with the Swift family. One way of keeping this control is by selling stock to employes. Any one who has worked for Swift & Co. a short time is expected to buy stock of the company. This, of course, always must be voted according to the desires of the management of the company, else the employe could not hold his position. Furthermore the employe rarely dares to sell out his stock to take advantage of a rise in the price, for the company has stated that such action is against its wishes.

The other companies in the combine also show narrow control. The original subscribers to Armour & Co. were only three in number and now the stock is closely concentrated. The partnership of Nelson Morris & Co. is of three persons, Nelson Morris, Ira N. Morris and Edward Morris. There are only eight stockholders in the Cudahy company and in Schwarzschild & Sulzberger all but 8,400 shares of stock are held by four individuals. The control of the National Packing Company is narrowly held, but here is the proof that there is enough of a "community of interest" among the packers to justify the brand of Beef Trust. In the board of the National Packing Company we find as directors J. Ogden Armour and P. A. Valentine, of the Armour interests, two of the Swifts and two of the Morris family. The Garfield report sets forth that Swift & Co. own 42 per cent, Armour & Co. 42 per cent and Morris & Co. interests 12 per cent of this company, which was meant to be the nucleus of the world-wide beef combination. The principal concerns that were merged into the National Company when the bigger trust was contemplated were the Omaha Packing Company, the Hammond Packing Company, the Hutchinson Packing Company, the Anglo-American Provision Company, the United Dressed Beef Company, the Fowler Packing Company and the Continental Packing Company.

The average number of cattle slaughtered by the "Big Six" is 12,500,000 a year, or 45 per cent of the total slaughter of all cattle each year. The Garfield report says that, while the margin of profit between the price of live cattle and of beef is low rather than high, "it cannot be emphasized too strongly that changes in the margin are of little value as a basis for judging

the movement of profits. This may readily be appreciated from the mere fact that on the average only 54 per cent to 57 per cent of the live weight of cattle is retained in dressed beef."

As in every other sort of monopoly, the Beef Trust gained its ascendancy through a special privilege. Of course there was the usual concentration of control of the implements of the business, such as buying in many small plants, reducing expenses by operating on a large scale, etc. But it seems to be an



MAIN ENTRANCE TO THE CHICAGO STOCK YARDS.

This photograph was taken during the International Live Stock Exposition, which is held yearly, with representation from all parts of the civilized world. Here it is that the Agricultural schools, stock-raisers and breeders throughout America exhibit the results of their skill in feeding and breeding stock, judgment being passed by experts, and premiums awarded accordingly.

established fact that the control of the beef, pork, mutton, poultry, fruit, egg and dairy trade of most of the great centers of the country in the hands of the Beef Trust came about through the private car system. Indeed, investigations conducted by the railways before the Interstate Commerce Commission in Chicago brought out evidence of great abuses by which the trust thrived on rebates to a similar degree to that when the Standard Oil Company was

able to grasp the actual monopoly of the oil trade of the country. The private car line arose about thirty years ago by reason of a necessity for some means of transporting animal products by rail to distant cities. Two men were prominent in founding this system, which rapidly grew into the refrigerator-car system known to all people today. These were Gustavus F. Swift, founder of Swift & Co., and Nelson Morris, head of the wing of the Beef Trust of that name. The latter for some time tried to freeze meat and then ship it across the country. This was not satisfactory in warm weather. Swift took up a scheme by which a refrigerator car invented by a man named Tiffany, could be operated summer and winter. This project met with a great deal of skepticism on the part of other packers and prejudice on the part of the butchers all over the country, who saw the future when the Beef Trust would be able to ship meat everywhere and undermine smaller businesses. This was exactly what happened. People in the East especially soon found that Chicago beef was better, even when shipped great distances, than that which could be procured at home. The result was the speedy establishment of branch offices and markets over many sections of the country. When local butchers tried to fight by competition the trust simply bought them out if they were of a size to be worth while, or lowered prices to such a ruinous figure that competition dwindled and the field was left free to the Trust. Nothing served to concentrate trade and to create a widely diversified business as did this. In a very short time the big packinghouse in Chicago had grown from a simple butcher shop to an establishment with sixty-five departments and several side issues. The amount of business of all concerns increased, as will be seen from the following table ranging over fifty years of transactions:

	No. of establishments.	Amt. cap. invested.	Cost of materials used.	value of products.
1900.....	921	\$189,198,264	\$683,583,577	\$785,562,433
1890.....	1,118	116,887,504	480,962,211	561,611,668
1880.....	872	49,419,213	303,562,415	445,885,894
1870.....	768	24,224,692	61,674,024	75,826,500
1860.....	259	10,158,362	23,564,433	29,441,776
1850.....	185	3,482,500	9,451,096	11,981,642

Of course great economies were effected by such a system. Shipments of cattle on the hoof declined and dressed beef shipments increased. Branch slaughtering plants were started in many sections of the country near the cattle ranges to save shipment as much as possible. This evolution worked revolution elsewhere. As soon as it was seen that the refrigerator car could be used

to ship perishable meat, there was a demand for shipments of eggs, fruit, dressed poultry, etc. With the discovery that eggs could be kept in cold storage for a year or more without spoiling, and that poultry could be frozen and kept as long a time, the packers began to corner the market in these commodities whenever and wherever possible. With this development there arose numerous refrigerator car lines. Many of them were independent for a time, but usual methods soon brought most of them under the control of the



MAKING MUSIC STRINGS—STRINGS FOR TENNIS RAQUETS, ETC.

The gut strings are spun from the intestines of sheep, and there are two million farmers in the United States who raise forty-three million sheep annually. The use of the sheep intestines for this purpose indicates how every part of an animal is used for the benefit of mankind. It is a common idea that violin strings are made from a cat—hence the word "cat-gut." "Gut" is an Italian word, and really means the inter-breeding of the mountain goat and the domesticated sheep. Our own "Uncle Sam" perverted the term, and the government in its custom houses still lists gut music strings as "cat-gut." Violin and other music strings—also strings for the most expensive tennis raquets, etc., are manufactured from the entrails of sheep by a treating and spinning process. They are exported to all parts of the world by the manufacturer, P. F. Turner.

principal packers in the Beef Trust. There are now four principal groups of these trust private car lines as follows:

Armour Group—The Armour Refrigerator Line; The Armour Packing Company; Armour & Co.; Fruit-Growers' Express; Kansas City Fruit Express; Continental Fruit Express; Boyd, Lyman & Co.; Kansas City Dressed Beef Line; Barbarossa Refrigerator Line; Tropical Refrigerator Express.

Swift Group—Swift Refrigerator Line; California Fruit Transportation; Continental Fruit Transportation; Libby, McNeil & Libby.

Morris Group—Morris Refrigerator Line; Nelson Morris & Co.; American Live Stock Company; N. K. Fairbanks.

Hammond Group—George H. Hammond & Co.; National Car Line; Anglo-American Refrigerator Line.

The Garfield report stated that of some 50,000 refrigerator cars in the United States these groups controlled about 25,000. Other estimates have put the number controlled nearer 40,000 cars. Such power placed in the hands of a group of men inspired awe even in the railways. By threats of



A REFRIGERATOR CAR FOR SHIPPING MEATS.

All the great packing houses own their own cars for transporting their products in a clean and sanitary condition.

diverting business away from one road to another the private-car lines secured great concessions from the roads. Mileage was forced to be paid the private lines by the roads on cars whether loaded or empty. Cars could not be loaded with other than the packers' own freight and the amount of this freight was limited by the packers to a minimum. Pressure was brought to bear so that freight on dressed beef and other packing-house products was reduced much below corresponding freight on live stock. This caused cattle shippers to complain to the government grievously. The result of the extortion against cattle shippers and the railroads brought out a great deal of information before the Interstate Commerce Commission. J. W. Midgley was the com-

plainant for the railways and he characterized the members of the Beef Trust as "the most arbitrary, the most remorseless that have ever been known."

Not only were rebates thus extracted from the railroads by an indirect and possibly illegal course, but the produce markets were made to pay tribute to the Beef Trust through what are termed "icing charges." These charges arose originally to pay for the cost to stock a car with ice to preserve beef or other perishable goods in transit. With the control of most of the refrigerator-cars of the country the produce men of such great centers as South Water Street, Chicago, were at the mercy of the Beef Trust. Goods had to be shipped by the line most convenient to the fruit or produce territory. This almost invariably was found to be under the thumb of a Beef Trust captain of industry. When icing charges first began a railroad charged \$10 or \$15 to "ice" a car from Missouri to Boston. When the monopoly on private-car lines was practically complete this charge to an independent shipper was raised to as high as \$100. Hundreds of instances were shown before the government commission of abuses of this sort. In some cases where shippers fought against these charges the railways were influenced by the Beef Trust managers to stop hauling freight for them. Sometimes "icing charges" were made on shipments when not a pound of ice was used. It must be borne in mind that besides these charges the regular freight rate also had to be paid, and where the shipments had to be hurried extra charges were made. These rates were far in excess of those of the few remaining independent refrigerator-car lines. To show the enormous profits thus piled up it may be said that experts have estimated the Armour lines alone make \$72,000 a day. The difference between charges by the independent lines and the trust lines is seen in the rate of \$80 from Sacramento to Chicago by the trust and \$45 from the state of Washington to Chicago by the independents and in the charge of \$25 from a town in Michigan by the trust and \$30 from New Orleans to Chicago by an independent.

The worst setback the Beef Trust experienced was the injunction granted by Judge Grosseup and upheld by the United States Supreme Court. It had been charged before the lower court that a "combination existed of a dominant proportion of the dealers in fresh meats through the United States not to bid against each other in the live stock markets of the different states, to bid up prices for a few days in order to induce the cattle men to send their stock to the stock yards, to fix prices at which they would sell and to that end to restrict shipments of meat when necessary, to establish a uniform rule of credit to dealers and to keep a 'blacklist,' to make uniform and improper charges

for cartage, and finally to get less than lawful rates from the railroads to the exclusion of competitors." This decision in favor of the "square deal" determined that live stock transported from one state to another for sale and held there for sale constituted interstate commerce under the law. It condemned as unlawful restraint of trade the combination between independent dealers to suppress all competition in the purchase of live stock between states, or for fixing and maintaining uniform prices in the sale of meat throughout the country, or to obtain preferential rates for the transportation of their product by common carriers. This made it clear that all combinations between independent individuals, partnerships or corporations engaged in interstate commerce, by which competition between them is suppressed, fall under the prohibition of the Anti-Trust Act. According to Judge Grosseup this decision "cleared the decks for the next really great national movement—the organization and supervision by the nation itself or the great corporations of the future—a movement whose chief object will be not so much to control prices, or merely to curb power, as to bring corporate ownership within the reach and reasonable confidence of the people at large, and thus to re-peopleize and republicanize again the industrial ownership of the country."

Shortly after this injunction was issued by the court federal officers had grounds for believing that the injunction was being violated, that the Beef Trust still was doing business in restraint of trade. This brought about immediate investigation by a federal grand jury and numerous indictments followed. Agents of the Beef Trust vanished, apparently in the fear that they might be forced to testify against the alleged criminal doings of the trust officials. Some of these men were found in Canada and brought back by detectives. Some of them hastened to Europe and thus escaped the investigation. The head men of the packing concerns, however, remained in reach. One of the most sensational episodes in the disappearance of documents supposed to have incriminating evidence against the trust illegalities of the packers was that connected with the Etna Trading Company, alleged to be the clearing house by which the combine sold casings. These casings are made principally from the intestines of sheep and are used to cover sausages. It was charged that a combination in restraint of trade existed in this business and that the Etna company did the illegal work. The government officials seized six trunks belonging to this company after they had been placed in the National Safe Deposit Company in Chicago. Suspicion was first aroused in this case by the disappearance of the officials of the company and the hurried abandonment of their offices in the Fisher Building in Chicago.

Because of the wealth of the corporations under investigation, it was feared great pressure might be brought to bear to head off indictments and convictions, even though they were merited by the most lenient construction of the law. Indeed, men connected with the packing concerns were warned to keep away from the building where the grand jury had its hearings and even then indictments resulted from the alleged attempts of Beef Trust agents to tamper with witnesses. Testimony was taken for a long period and witnesses from many cities and from the country were heard.

The character of this testimony went to show many things in apparent violation of the law, among others:

That the packers had endeavored to thwart the government in its attempts to make an investigation by influencing testimony of witnesses in the employ of the packing firms.

That employes of the packers were charged with having attempted to obstruct the serving of subpoenas on employes of the packing companies requiring them to appear before the grand jury.

That records seized by federal officials were believed to reveal the existence of an illegal trading arrangement between the Etna Trading Company and the packers in the business of handling sausage casings.

That an understanding existed between the packing companies and the railroads subsequent to the Grosseup injunction and that preferential rates were given the packers on freight shipments.

Perhaps the most serious fight made by the packers was against the effort to prove that illegalities were common in the relations with the railroads. Here it was Armour & Company and Swift & Company who suffered the brunt of the investigation, because it was through the private car lines owned principally by these concerns that it was alleged rebates were given by the railways. The charge that icing bills were inordinate and pressed severely upon the fruit shippers of the country, was met by the reply that, although Armour & Company had practically a monopoly of this business in certain districts, the private car line engaged in the interstate business publicly was not a public carrier, but a private business. However, exorbitant icing charges were reduced in the effort to withstand the tide of public disapproval.

Of the other serious complaints investigated with a view to righting existing wrongs, those which pointed to glaring injustices in the control of the price of meats were prominent. Generally speaking the Beef Trust was charged with illegally manipulating the market for cattle on the hoof on the great western and southern ranges. Evidence showed that repeatedly at the

great central market of Chicago and at the other markets of St. Paul, Sioux City, Omaha, St. Joseph, Mo., St. Louis, Kansas City and Fort Worth every sort of means was taken to favor the packers in their quest of low priced animals.

In the same markets it was charged that commission men were influenced by the packers to help the trust in an illegal pursuit of trade. It was charged that glaring examples of unfair dealing were found wherein the packers de-



AMONG THE CATTLE PENS, CHICAGO STOCK YARDS.

This is but one corner of the Stock Yards, which are the largest in the world. They comprise 500 acres. There are 25 miles of streets and alleys between the pens, 38 miles of water troughs and 50 miles of feeding troughs. Twenty trunk line railroads serve the yards, although within the same the association owns its own tracks and charges toll for their use. There are 13,000 pens altogether and when filled will hold 120,000 hogs, 20,000 cattle and 15,000 sheep. To bring a year's receipts to the yards would require a train almost long enough to reach from New York to San Francisco.

pressed prices of animals artificially by their combination one day so that on the next they could buy at their own figures. Cases were cited where men refused to take such low prices and shipped their animals from one city to another, only to be met by the same prices.

It also was charged that through combination with stock yards and terminal railway companies heavy and arbitrary terminal charges and switching fees

were exacted from shippers unfairly. Still further the charge was made that the Beef Trust illegally controlled the output of finished meat products and that the small butcher or packer in the country was constantly being squeezed out of business by the combination's evil methods. This combination was said to extend even into the control of the by-products of the packing industry such as glue, felt, blood, bone and glutenous products.

The Chicago Union Stock Yards.

It is interesting to watch the process by which the trainloads of live stock arriving in the morning are converted into dressed meat, and the other products of the packing houses. Nearly all of the shipments arrive during the forenoon by way of the Western railways, and of course this is a very busy period. The outbound shipments for the Eastern markets and for export are mostly made during the afternoon by the Eastern lines, so that this again, is another busy time of day.

When a load of cattle comes into the yards the car is placed on a side track, and the animals are unloaded into pens assigned them by the stock yards company, which owns all the facilities of the place. The cattle are consigned from the Western shipper to some commission man, who sells them during the day to buyers representing the packing houses. Government inspectors condemn such stock as does not meet the legal requirements, and then the buyers take what is needed, paying by a weight-ticket which can be cashed at the bank in the stock yards or elsewhere. There are two hundred of these commission firms with offices in the yards, where they are prepared to do business as an intermediary between the shipper and the packer. At the same time, the government is on hand by its inspectors, to protect the public against the use of diseased meat.

Exercising a supervision over the whole enterprise is the Stock Yards Company itself, which controls all sorts of industries within the limits of the yards, including the hotel and restaurants, the fire department, a bank, and various other branches of business and comfort. Of course not all of the 35,000 men employed in and about the yards are directly in the service of the Stock Yards Company. Many thousands of them are attached to the packing houses and to the offices of the commission men. But the whole undertaking is so closely associated and so perfectly organized as to be generally included in the single phrase, the stock yards industry.

CHAPTER XI

THE GREATEST OF ALL MONOPOLIES—THE RAILROAD TRUST.

The Railroads Are the World's Greatest Arteries of Commerce—Six Systems Control or Dominate More than Half the Railway Mileage of the Country—Rockefeller and Railways Almost as Suggestive as Rockefeller and Standard Oil—A Great "Community of Interests" Has Grown Up in the Natural Monopoly of Railroad Business.

"THERE is no monopoly which is so insidious and all prevailing as the railroad monopoly. There is not one thing which enters into every article of luxury and every article of necessity like the railway rate. There is not one thing which can take a penny from the pocket of the poor man and put it, together with other pennies, into the enormous whole and deposit it to the account of the multi-



FREIGHT YARDS AND ENTRANCE TO CHICAGO RIVER.

Here is shown the Illinois Central, Michigan Central and Wisconsin Central freight yards and the narrow passage from Lake Michigan to the Chicago River. Also the Life Saving Station at right of entrance—Columbia Boat Club House and small sailing yachts, and in the distance lighthouse indicating the entrance to the harbor.

millionaire as does the railway rate.”—[From an address delivered by Interstate Commerce Commissioner Prouty before the Union League Club of Chicago.]

Who owns these railways which, once the gift of the people, now are the agents by which tribute is collected over the length and breadth of the land until a whole nation arose in protest against the arbitrary power and abuse thereof? Once more we must go back to the family or families of the financial world which we have said find their greatest asset in the savings of the people—to the money trust, to “Standard Oil,” to the insurance trust, to the beef trust and to the numerous financial and industrial affiliations which form the great web of power called “capital” in the United States.

It would hardly be accurate to say that absolute control of the 211,000 miles of railway lines in this country are in the hands of half a dozen men, for history has shown that hundreds of thousands of individual citizens of the country have invested in the securities which own or have a lien on these great national highways. History also has shown how, when the railway magnate is too lax in being a “dummy” director with only a few shares of stock in his actual control, some shrewd speculator has swooped down upon him in a trice and seized control of his pet project through a stock market coup. Furthermore, there have been times when through some such shallow agreement as a “voting trust” a railway has been dominated for a number of years by men who really owned so little of its stock as not to be prompted to treat the problems of the stockholders other than selfishly, and then the small and numerous owners of perhaps discredited stock have risen in their right and overthrown the “trust” in that particular road. But these are exceptions.

If you would know how the greatest of the world’s arteries of commerce are controlled, glance at the following table showing the domination by six systems of more than half the railway mileage of the country—interests which are so fast feeling the hand of John D. Rockefeller and “Standard Oil” that before this volume appears in print Rockefeller and railways may be almost as suggestive as Rockefeller and “Standard Oil”:

	Mileage.
Pennsylvania	19,000
Vanderbilt	23,000
Hill system	21,000
Harriman	16,000
Gould	20,000
Rock Island	16,000
<hr/>	
Total	115,000
Total mileage in country.....	211,000

Revenue of all roads	\$1,900,000,000
Revenue of above six	1,200,000,000
<hr/>	
Capital of all roads	\$12,000,000,000
Capital of above six	8,000,000,000

Already financiers have brought about an interlacing of the boards of directors and stock ownership of these and other railroads of the country until the power of the "Standard Oil" interests is openly recognized, though perhaps it is not yet all powerful, in the management of about two-thirds of the mileage of the country. The road most recently to fall under this group is the Atchison, Topeka and Santa Fe, which for a long time was considered the only great independent system of the country. When "Standard Oil" directors were elected to its board the following roster was made up showing what roads are influenced from No. 26 Broadway, New York, the home of the Standard Oil company and the Rockefeller party:

	Mileage.
Atchison	8,003
Baltimore and Ohio	4,397
Chicago and Alton	915
Chicago, Milwaukee and St. Paul	6,682
Chicago and Northwestern	7,365
Rock Island System	16,000
Delaware, Lackawanna and Western	947
Delaware and Hudson	824
Denver and Rio Grande	2,460
Erie	2,556
Illinois Central	4,301
Kansas City Southern	839
Missouri, Kansas and Texas	2,713
Missouri Pacific System	20,000
New York Central	11,178
New York, New Haven and Hartford	2,037
New York, Ontario and Western	549
Northern Securities	18,920
Oregon Railroad and Navigation	1,151
Oregon Short Line	1,823
Reading	2,144
Southern Pacific	9,621
Union Pacific	9,105
Total	131,530

But as yet "Standard Oil" influence, while it is powerful in these railways, finds the family pride of the Vanderbilts and the Goulds and the business jealousies of many another railway interest of such great importance that alliances, both independent and interlaced, have been brought about with many of them, as is seen above. And just now the alliance of greatest significance is that with Edward H. Harriman, head of the Union Pacific, Southern Pacific, Illinois Central, Chicago & Alton and kindred roads, and member of the powerful New York banking firm of Kuhn, Loeb & Co.

E. H. Harriman had one ambition—that to control all the transcontinental railroad lines of America with the exception of the Canadian Pacific. This ambition ran counter to the plans of James J. Hill, the great president of the greatest railway merger to date and the far-seeing developer of the great Northwest. Mr. Hill, as head of the Great Northern system with its outlet on the Pacific Northwest, found Mr. Harriman's Union Pacific road encroaching on his territory, and to gain vantage ground bought the Chicago, Burlington & Quincy as a feeder into Chicago territory. Whereupon Mr. Harriman conceived the idea of swooping up the road that paralleled Hill's Great Northern—the Northern Pacific. But Hill saw the opportunity at the same instant, and, with the mighty banking prestige and financial power of J. P. Morgan behind him, bought for control the stock of the Northern Pacific as fast as did Harriman with his backing of Kuhn, Loeb & Co. The result was the celebrated panic on the New York Stock Exchange of May 9, 1901, when Northern Pacific stock was cornered and \$100 shares sold as high as \$1,000. Out of this turmoil in which for a day half the banks and brokerage houses of the country were technically bankrupt, came the discovery that neither Hill nor Harriman could control the western railway map. Then came the arbitration and the formation of the great railway merger—the \$400,000,000 Northern Securities company—with James J. Hill as president. This was a blow to the prestige of Harriman, for he had to be content with accepting a great amount of the stock of the Northern Securities company to be owned by his Union Pacific stockholders.

But a day came when Harriman was to win, at least in one sense. President Roosevelt conceived the idea that this merger company was illegal. Without so much as warning the railway magnates of this, he instructed the law department of the government to proceed against the company to ascertain if his conjecture was good law. It was. The United States Supreme Court finally ruled that the Northern Securities company in substance was a trust under the law and hence must be dissolved.

When it became apparent that a dissolution would take place there was a long legal tangle as to whether Hill or Harriman should be the greater gainer in the change. In some things Hill won, but all the time Harriman was working out his ambition to dominate the railways of all the West. There were the Goulds, the Rock Island party and Hill to fight, but already Harriman had put the grip of his Union Pacific on the Oregon Short Line and Oregon Railway and Navigation Company, gaining control of the route through Oregon.



MICHIGAN AVENUE, CHICAGO, FROM LAKE FRONT PARK.

From left to right the buildings are—(1) Auditorium Hotel, (2) Studebaker and Fine Arts Buildings, (3) Chicago Club, (4) Victoria Hotel, (5) Stratford Hotel, (6) Railway Exchange Building, (7) Building just erected by popular subscription for the sole use of the Theodore Thomas Orchestra, (8) Pullman Building—Offices of the Pullman Car Co., and Headquarters of the United States Army, Department of the Lakes, (9) Peoples Gas Light & Coke Co., (10) Building with tower—Montgomery Ward & Co., (11) Art Institute.

He had acquired also for the Union Pacific, the Central Pacific and the Southern Pacific. Then, with the Rockefeller party, he secured partial domination of the one last great independent system, the Atchison, Topeka & Santa Fe. His interest in Northern Pacific from panic times was little short of control and his purchase of the San Pedro, Los Angeles and Pacific gave Harriman a voice in six out of seven existing Pacific Coast routes in American territory. Indeed, as a competent authority, the Wall Street Journal once said, Mr. Harriman made the Union Pacific "the most stupendous weapon of conquest ever wielded

by a single financial interest in this or any other country." The credit of the Union Pacific, in fact, conquered the West for one man—Edward H. Harriman.

It made him dictator of all railroad policies on the Pacific Coast from Portland to the Gulf of California. It placed him in almost undisputed control of all public transportation from American producers to oriental markets. He became the arbiter of the rate situation between Chicago and San Francisco. His policy was supreme on over 25,000 miles of the best railroads in the West, and ruled the destinies of companies capitalized at more than \$1,500,000,000.

His own weapon, past, present and future, was the Union Pacific credit. That credit was fostered by the most careful of financial methods; built up by the most progressive operating methods on the continent, borrowed from J. J. Hill, it is true, but adapted and carried farther; handled, guarded and enhanced by the skill of Messrs. Kuhn, Loeb & Co., bankers extraordinary to Union Pacific; and ultimately, guided and controlled by the railroad and financial genius of E. H. Harriman.

There were no great mistakes. The decided defeat at the hands of J. J. Hill and J. P. Morgan resulted in turning what was intended to be the capture of Northern Pacific into an investment that later netted a profit of 50 per cent. This was a moral defeat, but an actual victory. The purchase of Southern Pacific and the long period of tremendous expense in building up the Southern, Central and Union Pacific properties, resulted in great and immediate benefits.

The Harriman policy has been so far uniformly successful. The question of the hour is how much farther the policy is to be followed. The purchase of a large interest in Atchison and practical control of the San Pedro, Los Angeles and Salt Lake Railroad appeared to be the culmination of his plans for expansion of property west of the Great Divide. Since that time rumor has credited the Harriman forces with plans to take control of Chicago and Northwestern and of New York Central.

It is the prospect of this greater merger which was the bone of contention of the railway financial powers during 1905. The federal authorities had declared that with the Sherman anti-trust law on the statute books the Northern Securities combination could not stand legally. But if there was not one method there was another. As yet no law has been framed placing obstacles in the way of actual control of competing railway lines through dominating ownership. This was the opportunity that was seized by the great railway powers at every possible opportunity after the Northern Securities company was declared illegal. From that time there was the interlacing of interests until Union Pacific dominated the transcontinental business of the United States.

About this time Mr. Harriman and the Rockefellers decided the Vanderbilt lines were choice plums of the railway tree. Forthwith these interests began forming a fresh set of alliances, until now it would be possible to extend Harriman-Rockefeller influence from the Atlantic to the Pacific over some 40,000 miles of road, controlling property worth several billions and which originate traffic valued at more than \$300,000,000 annually. Let us glance at the following table and see what one man's ambition craved:

	Mileage.	Stock.	Bonds.
New York Central system.....	3,500	\$ 200,000,000	\$ 187,000,000
Big Four	2,500	37,000,000	63,000,000
Pittsburg & Lake Erie.....	200	4,000,000	10,000,000
Lake Shore	1,500	50,000,000	75,000,000
Michigan Central	1,650	19,000,000	32,000,000
Nickel Plate	550	30,000,000	22,000,000
Chicago & Northwestern.....	5,576	100,000,000	170,000,000
Fremont, Elkhorn & M. V.....	1,362	2,000,000	18,000,000
Lake Erie & Western.....	900	24,000,000	12,000,000
Omaha Line	1,590	34,000,000	33,000,000
Indiana, Illinois & Iowa.....	305	5,000,000	5,500,000
Union Pacific	7,000	264,000,000	331,270,000
Southern Pacific	9,016	200,000,000	100,000,000
Illinois Central	4,500	76,000,000	156,000,000
K. C., P. & G.....	840	9,000,000	18,000,000
Total.....	40,989	\$1,054,000,000	\$1,232,770,000

That a great "community of interests" has grown up in the natural monopoly of railroad business is apparent. How much further it will go remains to be seen. Undoubtedly it can go too far toward one central control in the railroad affairs of the United States. Beyond doubt the tendency is in that direction—not in defiance of law—for the law on combinations is not being violated—but in spite of the Constitution and federal statutes and, in a sense, under their direction and authority.

And yet we may expect to see many an attempt to check the movement. The practical monopoly of the Pacific routes by one influence is regarded, both East and West, as a dangerous and revolutionary step. Even the gradual influence at work to control the Atchison threatens to bring a host of forces against Mr. Harriman.

Up to the time of the dissolution of the Northern Securities company the greatest combination outside the field dominated by the Harriman-Rockefeller interests, and even in some degree affiliated in it, was that of the Pennsylvania. It was made up as follows:

THE RAILROAD TRUST.

	Mileage.	Stock.	Bonds.
Pennsylvania	10,550	\$390,000,000	\$235,000,000
Reading Railway	1,455	140,000,000	96,000,000
Chesapeake & Ohio.....	1,561	60,000,000	76,000,000
Baltimore & Ohio.....	4,368	104,000,000	225,000,000
Vandalia	158	3,900,000	4,100,000
New York, New Haven & Hartford.....	2,037	54,000,000	54,000,000
Total	20,129	\$751,900,000	\$690,100,000

Second only to the Pennsylvania was the combination of lines represented by the \$400,000,000 Northern Securities Company and controlled by the Morgan-Hill coterie. This combination as it existed before it was declared illegal, was as follows:

	Mileage.	Stock.	Bonds.
Northern Pacific Co.....	4,956	\$155,000,000	\$173,000,000
Great Northern	5,451	125,000,000	96,000,000
Chicago, Burlington & Quincy.....	9,000	215,000,000	.....
Total	19,407	\$495,000,000	\$269,000,000

The Rock Island system, which the Moore Brothers, D. G. Reid and W. B. Leeds have constructed during the past few years, stands next and is made up about as follows:

	Mileage.	Stock.	Bonds.
Rock Island Co. (new).....	.....	\$150,000,000	.....
Rock Island Co. (old).....	7,038	125,000,000	\$ 75,000,000
Trisco Line	3,414	110,000,000	51,000,000
Eastern Illinois	738	19,000,000	23,000,000
Chicago & Alton.....	920	60,000,000	20,000,000
Total	12,110	\$464,000,000	\$169,000,000

The Gould system stands close to the Rock Island in size and importance and is made up of the following roads:

	Mileage.	Stock.	Bonds.
Missouri Pacific	5,909	\$ 77,000,000	\$ 64,000,000
Wabash	2,367	52,000,000	90,000,000
International & Great Northern.....	928	10,000,000	24,000,000
Texas & Pacific.....	1,684	39,000,000	60,000,000
Denver & Rio Grande.....	1,091	61,000,000	49,500,000
Rio Grande Western.....	662	17,500,000	29,000,000
Western Maryland	257	1,000,000	9,000,000
Ann Arbor	291	7,250,000	7,700,000
Total	13,189	\$264,750,000	\$333,200,000

In the South the Morgan interests have been actively gathering the railroads into allied groups. The largest southern merger may be called the Morgan-Southern Railway system, and is stated to be made up of the following lines:

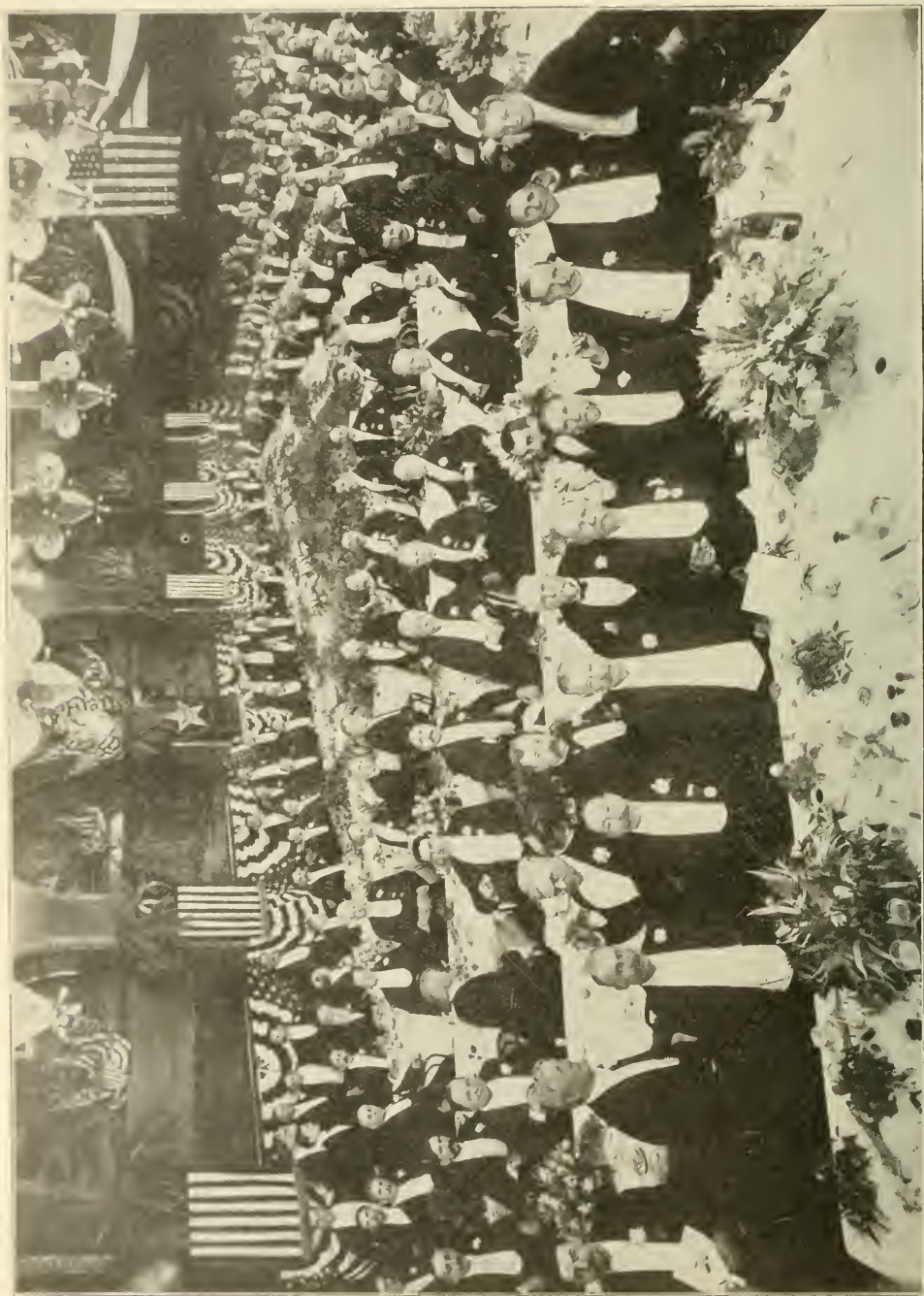
	Mileage.	Stock.	Bonds.
Southern Railway	6,728	\$184,000,000	\$174,000,000
Atlantic Coast Line.....	4,437	33,000,000	30,000,000
Louisville & Nashville.....	5,324	60,000,000	111,000,000
Monon Line	546	15,500,000	15,500,000
Georgia Central	1,844	5,000,000	49,000,000
Total	18,879	\$297,500,000	\$279,500,000

Independent of the new merger are what are known as the Rockefeller roads. These may be thrown into the greater alliance with Harriman at any time and may be stated to be the following:

	Mileage.	Stock.	Bonds.
Chicago, Milwaukee & St. Paul.....	6,746	\$100,000,000	\$256,000,000
Missouri, Kansas & Texas.....	2,500	68,000,000	87,000,000
Wisconsin Central	1,047	30,000,000	29,000,000
Total	10,293	\$198,000,000	\$372,000,000



THE STABLES OF A MILLIONAIRE.



A BANQUET TO PRESIDENT ROOSEVELT.

Business and professional men honoring our President upon his visit to Chicago. The President is seated directly under the star in the background of the photograph.

CHAPTER XII

DANGER IN RAILWAY MONOPOLY.

The Railway Is the Mother of Other Monopolies—Efforts to Regulate Rates and Prevent Discrimination in Favor of Trust Combinations as Against Small Shippers—"The Freight Rate is the Life-blood of Commercial Activity"—"The Function of a Government Is to Give Every Man a Fair Chance."

THAT the public has seen with awe and fear the danger of the abuse of the monopoly powers of the Railway Trust is patent from the fact that when President Roosevelt in 1904 asked Congress to give the Interstate Commerce Commission the power of regulating railway freight rates, the public almost as a man applauded the innovation to the echo. Of course there are always two sides to a question and the railway presidents argued against a bill that was passed in the House of Representatives until the Senate declined to concur in enacting such a law. Nevertheless the demand for the "square deal" as against freight rebates, discrimination on terminal, private car line abuses and the like had its effect in stopping practices which gave the big trust better terms than the small shipper.

Interstate Commerce Commissioner Prouty, who was a foremost investigator in railway abuses, described some of the dangers of the situation which President Roosevelt and the country at large asked to have removed. Here is what he said:

"The typical industrial monopoly is the Standard Oil company, and that corporation has today almost a perfect monopoly. But every independent refinery can attack it in its most vital point. The maintenance of that monopoly is only at the price of eternal vigilance.

"Take the United States Steel corporation. Today it controls half the iron output of the United States, and every new furnace, every mill is aiming at the vitals of that corporation. Unless the United States Steel corporation has some advantage in transportation facilities, or unless it can control the raw material out of which the finished product is made, I doubt if that corporation, with all its enormous power, can retain its monopoly.

"Now, take the railroads today between Chicago and New York. They are

built. No other trunk railroad ever will be built to compete with them—at least in the near future. Development will be by enlarging and developing these same systems.

"The Pennsylvania system never can fall apart. The ownership of that system may change; the management of that system may change, but that enormous system controls today one-fifth of all the tonnage, one-fifth of all the gross receipts, one-fifth of all the passengers carried in the United States. It is a system by itself forever. There is another thing. The way in which these combinations have been built up means that almost of necessity this monopoly must increase rather than diminish in the near future.

"We have heard in these last years a great deal about trusts. What is the matter with the trust? What is the harm in a monopoly? There are other evils, but the principal evil is this: that it enables the man who has the monopoly to take from the man who requires the service of the article he has to sell more than a just price.

"Not only is the railway the greatest monopoly by far of itself, but it is the mother of countless other monopolies. It is well understood that an advantage in the railway rate means life to one competitor and death to another competitor, and the advantage is not of necessity from the payment of the rebate. There may be, and there are, discriminations in the published schedule just as deadly as those which arise out of a departure from the published schedule. The Standard Oil company grew and flourished on rebates in its infancy. The boast of the Standard Oil company today is that it takes no rebates. It does what is better than take rebates: it makes the schedule.

"Mr. Rockefeller today has a potent influence in the railroad operations of this country. Mr. Morgan has a most potential influence in the railroad operations of this country. And while the Standard Oil company may not and does not take rebates, it enjoys advantages in the public schedules which mean hundreds of thousands of dollars—I presume millions of dollars—annually to that company.

"Now, here, gentlemen, you have the problem. You have first the greatest monopoly there is: you have second the discrimination which builds up other monopolies. Now, what is the remedy for that? The most natural thing in the world is to say if these combinations have produced that sort of a monopoly let us stop the combinations; let us break up the combinations. That is a thing you can't do. That remedy you can't have. You might like it, you have striven for it in vain. You can't have it. You must find some other remedy, or there can be no remedy.

"When the Interstate Commerce Commission was investigating the Northern Securities merger I asked Mr. Harriman what remedy a shipper had if the railroad imposed upon him an unjust rate, and his answer was: 'Let him bring suit and recover his damages.' You know that kind of remedy is no remedy at all.

"Take the rate in which this whole western country is most interested—the grain rate. That has been advanced in the last six years probably 6 cents a hundred pounds to the farmer of Iowa. It means in the aggregate millions of dollars. How could you apply that remedy? Whose injury? Is it the farmer who raises that wheat or is it the mechanic who eats it? Who is to bring the suit? Clearly, the man who brings the suit must be the one who pays the freight, and the man who pays the freight has not been injured. He is the middleman, who buys and sells on the rate, whatever it may be, and it doesn't make the slightest difference to him what that rate may be if it is nondiscriminating.

"No, there is one remedy—a just remedy, a remedy approved by the court—and that is this: If the rate is wrong, make that rate right.

"And the question now arises, How can you apply that remedy?

"Well, the courts have passed upon that, and what the court says is this—and it is a matter of great importance that you should understand it and keep it in mind in passing in your own minds on the legislation that is now before the country:

"The function of prescribing a rate for the future is a legislative and not a judicial function. It must be exercised either by direct enactment of the legislature, or by some commission created by the legislature for that purpose.' You will all see that it would be impracticable for Congress to inquire into the remedy. The only practical means is by the creation of a commission which shall inquire into the reasonableness of the rate, and which, if it finds the rate unreasonable, shall put in its place a rate that is reasonable.

"Now, that is exactly the remedy the President proposes. He takes the commission which exists, he says that commission shall be given power in case of complaint to determine whether the rate in effect is reasonable. If not to determine what rate would be reasonable and to order the carrier to observe that rate for the future, with the proper right of appeal.

"Now, what is the objection to that remedy? The first is that you thereby take out of the hands of the railroad company the right to manage its own business—that you are naming prices.

"Now, I don't believe the legislature can name the price of commodity,

and I want you distinctly to observe that when the legislature or when the commission names a railroad rate it does not name the prices of commodity. It simply compels the railroad company to carry out the contract by specific performance in which it has entered with the public.

"When the government gives me the right as a railroad corporation to take your land against your will, to create a monopoly which you must patronize, it lets me do that on this condition—a good condition—that I shall render you the service of transportation for a reasonable rate.

"The Supreme Court of the United States has said that is the implied condition on which every railroad charter is granted. Now, if you and I can't agree about the price of your land when I take it, what is done? Why, we leave that to a disinterested tribunal, don't we? The railroad rate is not a commodity which is bought and sold. It is a public service which is rendered by a public servant, and the public may in self-defense compel the railroad to carry out the contract into which it entered when it obtained this charter to build its railroad.

"They tell you in the next place that there isn't any need of any law. They say these men who manage our railroads all are public spirited Christian gentlemen. They won't impose on people in any extravagant rate. A man said to me the other day: 'Do you suppose a man like Marvin Hughitt would extort or oppress?' And I said: 'No, sir, I don't. From all I know of him I don't think there is a man who would be less likely to extort or oppress than Marvin Hughitt.'

"Isn't John D. Rockefeller a good man? Do you know of any sheriff that is looking for him under an indictment for any offense? Doesn't he lead a class in the Sunday school? Doesn't his heart warm to the heathen; just now especially?

"Is all that any reason why you should not pass laws if you can devise them which will prevent the exacting of the monopoly which he invented and has perpetuated?

"Then they tell you this attempt to fix a railway rate is paternalism. So far as I can understand it, paternalism, as applied to this thing, means any sort of legislation which is intended to prevent a monopolist from stealing all there is and keeping all he can steal.

"What is the function of a government? I say the function of a government is to give every man a fair chance. So long as my brother, if he owns the railroads in this country, can impose on me whatever rate he sees fit, there is no such thing as a fair chance. The freight rate is the life blood of com-

mercial activity, and this government has no higher function than to remove every taint from that vital fluid.

"Then, they say, this plan won't work because of the incompetency of the Interstate Commerce Commission. Now, if by that you mean that the present members of the Interstate Commerce Commission are incompetent I admit it. And the President has said he is going to remove them and put somebody in their place who is competent, when we have the new law. If you mean it is impossible to select five men or seven men who can understand the question I deny it. It is to me an absurdity that such a board of men should not be able to understand and intelligently decide the questions which come before it.

"There is just one other idea and I am done. I expect railroad net receipts are going to fall off this year. Gross receipts are increasing, but there is one item of operating expenses which is unusually large, and that is the item known as legislative expenses. They are heavy this year.

"The railroads are sending out to all parts of this country tons of literature—tables showing the amount of the holdings of savings banks, trust companies, insurance companies, and such like in railroad securities. Now, what does that mean? It means that if the Interstate Commerce Commission had the power to fix a rate it would make that rate so low as to impair the value of those securities. But so long as the constitution of the United States stands and the Supreme Court does its duty it is not possible for the commission or for Congress to reduce rates to a point which will impair the value of those securities.

"There comes a time when talk will not suffice. It will be necessary to do something. I think that time has come. Kansas has spoken. Minnesota has spoken. Chicago has spoken. If you want that sort of talk to continue, just continue treating the trusts and monopolies as they have been treated for the last ten years. The time has come when this country must choose between regulation and socialism."



EDWARD H. HARRIMAN,
The Noted Railway Magnate.



JAMES J. HILL,
The western Railroad and Steamship Mag-
nate.



WILLIAM H. MOORE,
The master mind of a group of railway
capitalists.



A. J. CASSATT,
President Pennsylvania Railroad.

CHAPTER XIII

RAILWAY ABUSES LAID BARE.

The Railroad is a Carrier, not a Producer—Discrimination against Certain Localities—Secret Cipher-code of Private Car Lines—People Prefer Less Prosperity to Loss of Liberty.

DURING the investigation of the Interstate Commerce Commission and the Senate special committee to ascertain the best methods to approach the question of government regulation of railway rates according to President Roosevelt's program, many serious abuses were laid bare. Charges had been made repeatedly and proved that there was a class of shippers that used the railroads who were given better rates than those published as the legal tariff. This rebate system thrived under several guises. The private car lines, controlled almost exclusively by members of the Beef Trust, gouged the small shipper by means of exorbitant icing charges, while carrying dairy products for the trust itself at no excess charge. Other trusts, such as the Harvesting Trust and the Steel Trust, controlled small railways a mile or two long, and by originating freight at their plants and delivering it over these little roads to the regular railways they got the equivalent of heavy rebates. This worked hardships to any one who wanted to compete with the trusts. Still other charges against the railways were made to the effect that the roads, by granting such special privileges to the big industries, caused great plants to cluster about the principal shipping points, building up thickly congested cities where poor people congregated in misery. On the other hand the result of this system apparently was the wrecking of many a small community by the removal of shops, mills, factories, etc.

That the abuses existed was admitted before the senate committee by none other than President A. B. Stickney of the Chicago Great Western Railway. Charges against the Atchison, Topeka and Santa Fe for having given rebates to the Colorado Fuel and Iron company caused something of a scandal in both business and government circles because Paul Morton, Secretary of the Navy under President Roosevelt and special adviser to the President on railway reform, had been acting vice president of the Atchison at the time the rebates

were said to have been given. Great pressure was brought to bear upon the President to force Secretary Morton from office because of these charges, but the resignation was not asked for nor did it come until after the attacks on the secretary quieted down.

Even the government itself was party to such discrimination by accepting rebates. Secretary of the Interior Hitchcock, backed by an opinion of the



GRAIN ELEVATOR ON THE CHICAGO RIVER.

This view shows one of the many large grain elevators located on the banks of the Chicago river. Strictly speaking, a grain elevator is a storehouse for grain. It is divided up into various rooms or compartments, the grain being hoisted into them from cars or the holds of ships, in buckets working on endless chains, the same method being followed in reloading cars or vessels.

law department. on behalf of the geological survey made arrangements with a number of the railways tapping the arid and semi-arid regions of the West to grant special rates upon shipments made by contracts engaged in irrigation work. There was no secret about the matter, but complaint was made by the comptroller of treasury in the effort to keep the law. The matter was referred

to the Attorney General of the United States, who decided that the government was exempt.

In discussing the evident violation of the spirit of the law if not the law itself President Stickney of the Chicago Great Western Railway said before the Senate committee:

"Since the injunctions the traffic directors have stopped paying rebates on grain shipments, but in lieu thereof have paid elevator fees, a practice which the interstate commerce commission has sanctioned as admissible under the law, notwithstanding it is evidently a rebate paid to elevator owners which is not available to ordinary shippers. The traffic directors have made secret contracts with the traffic directors of large shippers at rates below the schedule rates and, having thus secured the tonnage in advance, they 'publish' a schedule containing the contract rates.

"Such schedules are called 'midnight schedules' and have all the effects of secret rebates. The small dealers are driven out of the market or the small dealers who have made contracts are saddled with losses which the large dealer pockets as profits, and the railway company secures a large tonnage of competitive traffic.

"These legal midnight schedules can be prevented only by conferring on a government commission the sole power to make such schedules."

Other railway men, among them Victor Morawetz, general counsel and chairman of the executive committee of the board of directors of the Atchison, Topeka and Santa Fe, admitted the law is broken constantly by the railways. Mr. Morawetz said that chaos would ensue if they did not ignore legal restrictions. The complaints of discrimination against the merchants of small cities were frequent. But complaints likewise were made by merchants of certain states against the roads that favored cities of other states. A table prepared to show the discrimination between Chicago and Illinois towns and Indianapolis and Illinois towns, with the rate charge by the Chicago and Alton on first class freight, follows:

	Tariff, Miles. cents.	
Indianapolis to Braceville.....	165	31
Chicago to Braceville.....	61	32
Indianapolis to Streator.....	190	32
Chicago to Streator.....	94	35
Indianapolis to Peoria.....	211	31
Chicago to Peoria.....	150	40

The Chicago and Alton, in other words, charges Chicago shippers more

money to ship their goods 150 miles to Peoria than it charges an Indianapolis merchant to ship them 211 miles to the same town.

Another table illustrates the rates charged by the Illinois Central:

	Tariff, Miles. cents.	
Indianapolis to Champaign.....	118	31
Chicago to Champaign.....	127	43
Indianapolis to Bloomington.....	166	31
Chicago to Bloomington.....	126	43
Indianapolis to Litchfield.....	207	37
Chicago to Litchfield.....	235	47

The railways reply to these charges of discrimination by saying that competition rules business and that they must foster the interests of the territory through which they run in order to build up business. They say that the density of the traffic and other conditions peculiar to railway business operate to make it necessary to govern rates according to the policy which will work for profits to shareholders in the railroad companies. For instance James J. Hill, president of the great Northern Securities Merger company in the Northwest, told President Roosevelt that he had such good business along the line of the Great Northern Railway that he could lower freight rates 25 per cent. and still pay 7 per cent. on his stock, whereas his competitors further south would go bankrupt if the government insisted upon rates as low as he planned. Mr. Hill pointed out also that the line of least resistance for export freight business to Europe was by way of the Gulf of Mexico in the winter and by Montreal in the summer. This made it necessary to grant concession to shippers who would use trunk-line shipping by way of New York harbor. It was an open fact that freight could be sent through New York if it was to be exported at less cost than if it was put down at New York to stay in the country. The cheaper rate was granted to shippers in order to get business which otherwise would be lost altogether by the road if it did not offer cut rates.

One of the champions of the people's side of the question was Governor La Follette, the man who successfully fought political graft in Wisconsin and who had a law enacted in that state prohibiting discriminating rates and providing for government supervision of rates. Governor La Follette, who later became United States Senator from Wisconsin, in arguing the rate question in the *Saturday Evening Post* said:

"No power other than the government itself is equal to that of the industrial combinations which are always in close association and often indented in

interest with railroad and transportation companies. Their tremendous political influence is shown by the mere recital of the history of the interstate commerce act, and by an examination of the records of Congress for the last seven years. Which has had the stronger hold upon state and national legislation during the last twenty years, the corporations or the people? Whose interests have been the more safely guarded? Where is the power lodged which has for seven years been strong enough to bar national legislation designed to enlarge the powers of the interstate commerce commission? It is not necessary to charge venality anywhere, but that the public service corporations have been steadily undermining representative government in national, state and municipal legislation, no thoughtful man can question. They come between the people and the chosen representatives of the people.

"I would in nowise disparage either the rights or the interests of the railroad side of this legislation. The question is one of very great magnitude. The amount of property involved is very large. The owners of railroads, and the holders of railroad securities must be protected in all their rights. They must not be wronged in any way. They are entitled to such remuneration as will enable them to maintain their roads in perfect condition, pay the best of wages to employes, meet all other expenses incident to operation, and in addition thereto enough more to make a reasonable profit upon every dollar invested in the business. To preserve all of these rights, they are entitled to the strongest protection which the law can afford.

"But the public, each community and every individual, has rights equally precious. Upon the railway companies rendering an adequate and impartial service at reasonable rates all general prosperity is dependent. Deprived of these, every community is checked and limited in its growth: every business of whatever nature must languish and fail. The denial of an impartial service at reasonable rates is the denial of equal opportunity, the denial of a "square deal."

"In the long struggle to secure legislation, the friends of the measure have been content to ask little, and they have received nothing. But through all of the years of waiting and disappointment, of ruin to individuals and demoralization to the business of many communities, public sentiment has been gathering force. It is all-powerful when once aroused. Unless I mistake the temper of the American people, they will demand the full measure of their rights. They will not halt or stop or compromise until that demand is fully satisfied.

"The abuse of the rate-making power lies at the foundation of the transportation problem. Through this the traffic can be controlled and centralized

at railway terminals, business consolidated, and combinations established. Remedial legislation therefore, to be effective, must strike at the root of the evil. It must place the rate-making power where it will be used fairly and justly to all concerned. The public has long permitted itself to be treated as though its interests were of small consideration. The miner, the manufacturer, the farmer, turn out the products which constitute the traffic of the country. They, and the consumers, are vitally interested in everything pertaining to the transportation of those products. The railroad corporation is chartered through the favor of the state to engage in the transportation business, nothing else. It was created, and given its special powers and privileges, to promote the general prosperity of all.

"It has not been vested with authority to decree that one shipper or city shall grow rich and great at the expense of another. It is preposterous that the corporation, which is merely a carrier, not the producer or consumer of the product carried, should be permitted to stand in such a relation to that product as to indicate that its interests are the sole interests to be considered. The carrier should not be permitted to say where the product shall be marketed. If it has authority to dictate rates it can make it impossible for the producer to choose his own market. It can so arrange its schedule of rates, it can so conduct its service, as to force produce, merchandise and manufactures to the market which it chooses to build up.

"The making of the rate is a matter of deep concern to more than one party to a traffic transaction. True, the railway company has large interests involved, *but this very fact unfits it to be the sole judge in making rates.* Rates made by the railway company are made by a party prejudiced in its own interests and, therefore, certain to be unjust to the public. It is disqualified and should be barred. It is entitled to be heard; all of its interests must be fully and fairly weighed in regulating its services and fixing their value to the public. But its interests are not paramount to those of the public. The producer and consumer are likewise entitled to be heard as well as the railway company, and it is then the duty of the government, standing between, to determine impartially, the rights of the railway company and the rights of the public.

"In all of the hearings before congressional committees, those opposed to enlarging the powers of the interstate commerce commission seem to believe that there is something sacred about a railway rate; that it would be a veritable sacrilege for any one outside of the railroad management to lay a hand upon a freight schedule. Any critical investigation of railway tariffs, and the

advances made in rates from time to time, will convince the student that rate-making is more frequently controlled by the financial management than the traffic department of the road. But I am free to admit that rate-making requires technical, expert knowledge and experience. The railroads are able to secure the services of men fitted to make rates. Surely, this great government, with all of its wealth and power, with all that it has involved in protecting the interests of the citizen, can employ equally competent men."

The complaints made against the owners and operators of private car lines resulted in some good. In this crusade both the railways and the shippers joined, for both suffered. The railroads declared they did not give shippers on these private car lines any rebates, but that they had been forced to make contracts with the car companies for the use of certain kinds of cars for carrying live stock, dressed meats, dairy products, vegetables and other articles requiring refrigeration or similar service, paying a certain mileage therefor. As pointed out in relation to the Beef Trust, which owns most of these cars, the companies which are thus paid for the use of the cars make their own charges to shippers for icing, etc., and vary these to suit themselves and grant rebates to favored shippers as they see fit.

All these charges practically have been proved before the interstate commerce commission. For instance President George R. Robbins of the Armour car lines admitted that the company had twenty or thirty *exclusive* contracts with railroads for fruit transportation business and acknowledged a monopoly of that traffic in parts of the West and South. Wherever these contracts applied the producers and shippers *had to accept the rates laid down by the Armours*. He insisted, however, that his company was a *private* one and therefore not subject to the interstate commerce law.

By its own letters, its secret cipher code, and other documentary evidence, the Armour Car Line company was shown before the interstate commerce commission to have paid rebates on fruit shipments from California, of discriminating between shippers in the amount of rebates, of charging for refrigeration that is not furnished, and of accepting payment from the Chicago & Northwestern, Chicago, Milwaukee & St. Paul, and Grand Trunk railroads for routing fruit traffic in Armour cars over those railroads.

H. J. Streyckmans, now a stenographer in a Chicago hotel, and who, from April, 1900, till July, 1904, was confidential clerk for W. G. Seeley, superintendent of the Armour car lines, furnished the evidence to the commission, having copies of letters of the company showing its relations to shippers and railroads.

The attorney for the Armour company denounced Streyekmans as a thief and a traitor, but did not challenge his evidence against the company. When Streyekmans produced a copy of the secret cipher code of the Armour company, its attorneys fought with all their might to keep it from being retained by the interstate commerce commission, but failed. The code was a printed book of about 400 pages.

Some of the cipher words and their meaning were:

Laughsome—Rebate.

Launch—Better arrange rebate there.

Launched—Burning stock at both ends.

Launching—Can make rebate.

Laundry—Force payment of higher rebate.

Laurus—Pay rebates.

Lava—Rebates must be confidential.

Lavishment—Working for rebate on—

Kinsley—Shade rates a little rather than lose the business.

Apelles—What allowance is necessary to secure the business.

Jocularis—Divide rate.

Jewelry—Rates being secretly cut by all lines.

Judiciary—Keep your rates below all others.

Junior—Rates must be made which will secure the business.

Junk—If necessary to secure business you can make ——— rate to ———

Juvenal—Maintain rate unless ———

Kaemester—Manipulate rates so as to ———

Kland—Meet rate by voucher.

Kalatna—Meet any rate offered.

Footpath—Interstate commerce commission.

Footprint—Avoid service of summons from interstate commerce commission.

Footrot—Meeting of interstate commerce commission at ——— on ——— to consider question of ———

Imprint—Martin A. Knapp, chairman.

Imprinted—Judson C. Clements.

Imprinting—J. D. Yeomans.

Imprison—Charles A. Prouty.

Inprobitas—Joseph W. Fifer.

Improbability—E. A. Moseley.

Armour—Arrange this with the utmost secrecy.

“The Northwestern railroad billed ice to the Armour company for \$1 per

ton," said Streyckmans. "On that ice the Armour company makes from 500 to 600 per cent. profit. The Chicago, Milwaukee & St. Paul railroad presented bills for \$2.50 per ton, but accepted a counter claim of \$1 per ton from the Armour company, making the net cost \$1.50 per ton. The Erie railroad, at Galion, Ohio, charged \$1.25 or \$1.50 per ton. At Fort Worth, Texas, the parties furnishing ice charged \$3.50 per ton, but the Texas & Pacific railroad remitted to the Armour company \$1 per ton, making the price \$2.50 per ton."

"While you were with the Armour company, did it pay rebates on icing charges to fruit shippers?" asked the commission's attorney.

"Yes," answered Streyckmans.

"Did it pay the same rebates to all shippers, without discrimination?"

"No," answered the witness. "To certain shippers on what was known as the 'form 141 list,' the highest rebates were paid. Another printed form, or blank, was used for making icing bills to other shippers and they received smaller rebates.

"Among the California shippers who received 'allowance statements,' or rebates, on form 141, were Frank H. Buck, the Pioneer Fruit company (organized by the Armour company to compete with the Santa Fe), Porter Bros. of Chicago, the Producers' Fruit company of Sacramento, and former Lieutenant Governor Anderson of California.

"All shippers on the '141 list' paid only the actual cost of icing cars and a car rental of \$10 to Chicago and \$15 to New York. The tariff from Sacramento to Boston was \$120. The icing cost \$38 or \$39, the car rental \$20, making a total of \$58 or \$59, and these shippers received rebates of \$61 or \$62 a car.

"Among other shippers not on the '141 list,' who received smaller rebates, were Stevens & Humphrey, S. I. Roper, Schnabel Bros., George D. Kellogg, and Pinkham & McKevitt, all of Sacramento."

The result of this investigation, aside from government action, was a speedy concession to Michigan fruit growers who helped to fight the private car combination. Secret meetings were held by the trust officials and the Armour line reduced its carrying and icing charges 15 to 30 per cent.

Of the many problems brought up by the railway abuses for solution those of the rebate, private car abuses and discrimination against localities seem to have called forth the greatest complaints from the public. As regards the solution of the whole matter, according to the judgment of the Wall Street Journal, there are just four ways open.

"The first way," says that authority, "is that of free competition, unre-

stricted and unregulated in any way. That such competition would operate to the advantage of shippers there can be no doubt. But it would make railroad rates unstable; it would make the operation of the railroads at a profit difficult, if not impossible; and as the prosperity of the railroads and the stability of rates are essential to the prosperity of the whole country, unrestricted competition between transportation companies might be calamitous. There was a notable development of the country during the period when railroad competition was most extensive, but that period was filled with many intervals of depression, due largely to the instability of rates. It is noteworthy that the greatest prosperity this country has enjoyed has been during the time when railroad consolidations have materially reduced the area of competition.

"Another way is that of complete monopoly. At the outset it may be said that while the period of greatest prosperity in this country has been coincident with a reduction in competition, it has also been just that period in which the most vigorous measures have been taken to prevent complete monopoly. Whatever may be the advantages of a consolidation of the ownership and control of the railroads in the hands of a few strong men, this much may be said with certainty, that the people of the United States will never permit for long the railroads of the country to be completely monopolized. They would prefer even less prosperity to the loss of liberty.

"The third way is that of Socialism—that is to say, government ownership of the railroads. There has been some growth of public sentiment in the United States in favor of such a development; but the administration of the post office, which is government business, has not been such as to make the idea of government ownership of the railroads attractive, even if the people were prepared for any such advance toward Socialism.

"The fourth way is that of government regulation, which is the middle road between Socialism on the one hand and complete competition on the other. The only alternative for either government ownership or the wastes of unregulated competition is government supervision. There is no other stopping place. We must either enforce competition to the fullest extent or else the government must buy the railroads and operate them. If we fear the consequences of unrestricted competition, the power of complete monopoly or the results of government ownership, then we must be prepared to accept that policy which, while leaving the railroads to the operation of private capital, shall permit them to secure that measure of concentration which is essential to the largest economical results and stability of rates, and then subject them to vigorous government regulation."

CHAPTER XIV

THE WORLD'S GREATEST INDUSTRY.

The Combined Length of the Railways of the United States Amounts to About Two-fifths of the Total Mileage of the World—Great Advancement in Railway Construction, Train Equipment, High Speed and Safety Devices—Railroad Building the Foundation of Commercial and Industrial Progress and Prosperity.

MEASURED by the volume of capital invested in it, by the number of men employed directly and indirectly by it, and by the importance of its influence on every phase of commerce and life in the world, the railway may be fairly termed the greatest of the world's industries. From the earliest time to the present, students of public affairs have realized that the control of transportation systems, be they primitive or highly organized, was synonymous with the control of commerce, and therefore of almost every material interest. The Romans were great road-builders, and they exploited the world for their profit. Napoleon was a road-builder, and gained much of his strength by virtue of his roads. The Russians have been road-builders, across Siberia, over the Caucasus, and into Central Asia. If they had used their roads for commerce and peaceful development, rather than for political and military conquest, they would be better off today.

In the last century Americans have been the greatest of road-builders, and with the development of the railway they have taken advantage of its possibilities to create highways throughout the length and breadth of their land. We have seen how the development of railway systems and the manipulation of their financial and operating control has made millionaires and has made those millionaires magnates. Let us now glance at the material side of the industry to observe some of the picturesque facts in the construction and operation of railway lines in actual service.

The combined length of the railways of the United States amounts to over two hundred thousand miles, and of the whole world to approximately five hundred thousand miles. The increase is at the rate of about ten thousand miles a year the world over. The most able financial organizations, the most skillful executives, and the most ingenious inventors are devoting their attention to the details of the railway as an industry. Constant improvement is recognized as

an essential to success. Old roads are reconstructing their lines, and new ones are built with the utmost care to assure the permanency of their tracks, the economy of their administration and the comfort of their travelers. Heavy steel rails have supplanted the light ones of iron; rock ballast is used where earth formerly sufficed; steel bridges span the streams and the old wooden culverts are burned at the roadside; curves are straightened; grades are reduced; tunnels penetrate the mountains where trains formerly reached the summits by slow climbing. All this contributes to the safety, ease and speed of the journey, but it likewise reduces the cost of maintenance and operation, so that the railway companies find direct as well as indirect profit from their increasing expenditures. The elevation of tracks through cities, thus eliminating grade cross-

ings, and the perfection of various block signals and safety switch systems, help to give additional safety to traffic and make high speed possible.

Train equipment has improved with the increase in travel, and today the railway journey offers comforts and luxuries at a moderate price which are hardly to be found in any but the homes of the wealthy. A modern transcontinental train is, in fact, a luxurious home, with all the details of a splendid club-house or hotel available, while one races across plains and mountains at high speed. Such trains, equipped with palace sleeping cars, dining cars, drawing room and observation cars, a library, barber shop, cafe, card room, music room, electric lights, and vestibules excluding the noise and dust as one passes from one car to another, with waiters, porters,



**OBSERVATION PLATFORM OF A
MODERN TRAIN.**

and a ladies' maid ready to serve the passengers with everything demanded, add enticement to the prospect of a journey where formerly the destination itself was the only reward.

It is not alone in the United States that railway construction is advancing rapidly, and luxurious facilities for travel are provided. All over the world

the same spirit of energy rules, and the effort to connect remote lands by these arteries of commerce never ceases. On our own continent our neighbors to the north and the south are active. One trans-continental line crosses Canada from ocean to ocean; a second is advancing rapidly to completion, and a third has been chartered and financed. In addition to these a railway to Hudson's Bay is moving steadily northward toward a port on that great inland sea which connects with the Arctic Ocean. In Alaska, railway construction has begun, and now the gold hunter can reach the Klondike by connecting service of steamers and railway cars, without a memory left of the hardships of the trail or less than a decade ago. The Mexican Republic has witnessed the construction of more than 10,000 miles of railway within the last few years, and the country is traversed in every direction by lines which are being extended rapidly. Since Cuba became a Republic a syndicate of American and Canadian capitalists has united the railway systems of the island, so that today the traveler may journey from Havana to Santiago in a Pullman car, finding branch lines at his disposal by which he may reach every important port on either coast.

The South American and Central American Republics have joined with the United States in a concerted effort to connect the two continents by railway via the Isthmus of Panama. An international commission has control of the preliminaries and the intercontinental survey has been completed. In South America the Andes range has been a difficult obstacle for transcontinental lines to overcome, but already the mountains have been penetrated from the Pacific coast by several lines, and the railway from ocean to ocean is a thing of the near future. The heart of the continent is reached by numerous lines in Argentine and Brazil, lines which afford outlet for the immense production of the interior and novel journeys for the inquiring traveler.

In Asia the whole political and military situation has been affected by the construction of the Trans-Siberian Railway, built by the Russian Government. Extending as it does all the way from the European provinces of the Empire, across the whole of Asia, to a terminus on the Pacific Ocean, it offers a new way around the world, with scenes and conditions of invariable interest to meet the traveler at every turn. The entire length of this wonderful railway, from the Ural Mountains to the Pacific, is nearly double that of an American trans-continental line, or more than 6,000 miles, and it was constructed at a total cost, including all incidental expenses, of over \$400,000,000. From a European port on the Atlantic, Havre, for instance, it is therefore possible to go by continuous connecting lines of railway, a distance of nearly 10,000 miles, right across the two continents or almost half way around the world. The Siberian

line was not begun until 1891, and the completion of it in eleven years, across the Steppes of Siberia, the great rivers which flow through Asia into the Arctic Ocean, the mountain ranges, and the wilderness, is the most noteworthy achievement in the history of railway construction.

Trans-continental trains on the Siberian Railway are equipped as our own railways in America are, with sleeping cars and dining cars of Russian patterns. In addition, they have bath-rooms, a gymnasium, and a church car which travels with the train at times, where priests hold services for the benefit of the faithful while they are speeding through the heart of Asia.



SCENE ON THE UNION ELEVATED "LOOP," CHICAGO.

The problem of rapid transit in large cities is apparently solved by its elevated railways, with stations at close intervals. At this point six separate systems of trains, reaching out to various parts of the city, pass at the rate of about one train per minute during the busy morning and evening hours when people are coming to or are returning from their day's labor. Every precaution is taken for the safety of passengers. There is a complete modern system of interlocking switches, which are controlled by levers from the signal tower in the center of the picture.

CHAPTER XV

JUGGLING WITH DOLLARS, OR HOW SPECULATION IS CARRIED ON.

Speculative Fever is Inborn—Speculation Means to Spy Out—Before the Advent of Instantaneous Communications by Telegraph and Telephone, Business Carried on Between Distant Communities was Speculative—Modern Speculation is Gambling on a Basis of the Element of Time and is Considered Injurious to the Morals and Interests of the Public—Barometer of Business.

EVERYBODY at some time speculates in some form or other. It is probable there never was a great fortune accumulated without a great deal of speculation. Of the thousands of millionaires of the country and of the whole world, those who did not inherit their wealth doubtless accumulated it through methods in some degree speculative, and even those fortunes that have been inherited very likely had their foundation in this sort of business.

But there are a great many wrong conceptions as to what speculation is. The word speculation comes from Latin origin and means to spy out. In its simplest form in a business sense it means to spy out an opportunity to make a profit through a business transaction. Today it means the buying and selling of property with a view to securing profits through changes in the price of that property. Nearly every business transaction has some sort of speculative element about it, but generally speaking the term is confined to those operations where the element of risk is an important one.

In the old days, before the railway had been developed so that transportation from place to place was easy and rapid and before the telegraph and telephone made communication instantaneous, most business carried on between distant cities or countries was largely speculative. This was due to the fact that prices of any commodity fluctuated somewhat widely in the different markets, more widely than the difference in transportation and other charges would warrant. The cause of this naturally was the fact that merchants were not in touch with market conditions as is the case today, and hence were not able to meet supply and demand rapidly enough to equalize prices.



J. OGDEN ARMOUR,
President of Armour & Co.



CHARLES M. SCHWAB,
First President of the United States Steel Corporation.



JAMES A. PATTEN,
Noted Grain Speculator.



JOHN W. GATES,
Noted Grain and Stock Speculator.

Today the great improvements in business methods have revolutionized such business. Speculative business, therefore, has come to be confined almost exclusively to transactions involving the element of time. In its simplest phase time speculation was nothing more than buying property outright and holding it in the anticipation of a rise in price. This practice is as old as civilization and generally, until recently, has been considered injurious to the best interests of a people. Toward the end of the seventeenth century it was the custom in Holland to buy and sell the products of fishing voyages before the results of the voyage were known. A century later speculation in grain, coffee, etc., was very active in Amsterdam, developing many of the practices of modern exchanges. In that age, however, the buying and selling was of a particular lot of goods or products.

As modern improvements were effected and many commodities were stored in public warehouses—such as grain in the grain elevators—the custom arose of giving warrants or receipts for such stores. With this development it became the custom to trade or speculate in the warrants for a certain quantity of any commodity of a standard quality or grade. Then speculation received a new impetus. It thus became possible for a man to sell goods which he did not possess, for at any time he could secure identical goods upon the market with which to fill his contract for delivery if he could pay the price. The marvelous growth of speculation in recent years is due largely to this principle. To this also is due that peculiar kind of contract so common to speculation and against which there has been considerable legislative hostility both in America and in England—the contract for future delivery generally termed trading in “futures.”

Fundamentally speculation plays a great part in the actual business of the world. When the supply of any commodity is liable to great uncertainties, as, for example the products of agriculture, it is generally held that the distribution of the commodity should be as nearly equal to the demand as possible—equalizing the price so that one year there will not be famine or famine prices and the next year such a glut that the producer will have to allow his commodity to go to waste. A class of people who make a business of studying the question of supply and demand, endeavoring to buy such commodities when they are abundant and cheap in order to sell them when the price advances—serves to bring about such a distribution and thus renders an important social service. In other lines of business, such as iron and steel, fluctuations in prices frequently are very wide. The consumer in order to guard against loss often makes contracts with producers for the

future delivery of the product at a given price. This in most quarters is not considered other than highly organized business. But nevertheless it has all the elements of speculation. Business risks of this character, therefore, are insured against by what is considered legitimate speculation.

Often, however, the speculator, through shortsightedness, mistakes conditions as they exist and does not calculate closely enough as to the future supply and demand. When such a thing happens it is often that the speculator causes greater evils than those which he is supposed to overcome through his usual functions. Thus for a time speculation may serve to keep prices abnormally high, only to cause such heavy overproduction in a succeeding period that prices may fall to an exceedingly low point. Speculation thus may bring about a panic or crisis, with hard times and business stagnation following after.

It may be conceived readily enough that where, through the risk of capital and the exertion of wisdom and experience, liberal profits follow speculative activity, a great many persons ignorant of business methods and market conditions are tempted to speculate. Among people who are bent upon making profits it also is but natural to find unscrupulous persons who will take advantage of such ignorance to spread false reports or otherwise play upon the credulity of ill informed speculators. This often brings ruin to individuals and in the long run works against the welfare of the public.

While every business which has in it any sort of considerable risk is strictly speaking, speculation, this phase of commerce finds its most highly organized machinery in the boards of trade and stock exchanges. Real estate also lends itself readily to speculation, some of the greatest fortunes having been made through the purchase of timber lands in anticipation of future needs of the community for lumber, etc.

It would be difficult in a work of this character to give in detail every influence working for speculation. But we have seen that primarily speculation is a risk of capital to secure profits. Therefore money itself and the rates of interest are prominent factors. This necessarily brings the bank, the trust company, the life insurance company, the individual capitalist and any one who exerts some power on money as a direct or indirect factor in speculation. The money seeking an investment plays a part even in affecting mere gambling phases of speculation. In a similar manner anything affecting prosperity, such as earnings of corporations, the yield of the cotton, wheat, corn, oats, barley, coffee, tobacco, hay or other crops, the condition of live stock on the great western ranches, rainfall or drought, labor troubles and great

fires or similar calamities work some change in speculation by affecting values of the commodities speculated in through increasing or decreasing supplies. This of course influences prices, and speculation deals with prices.

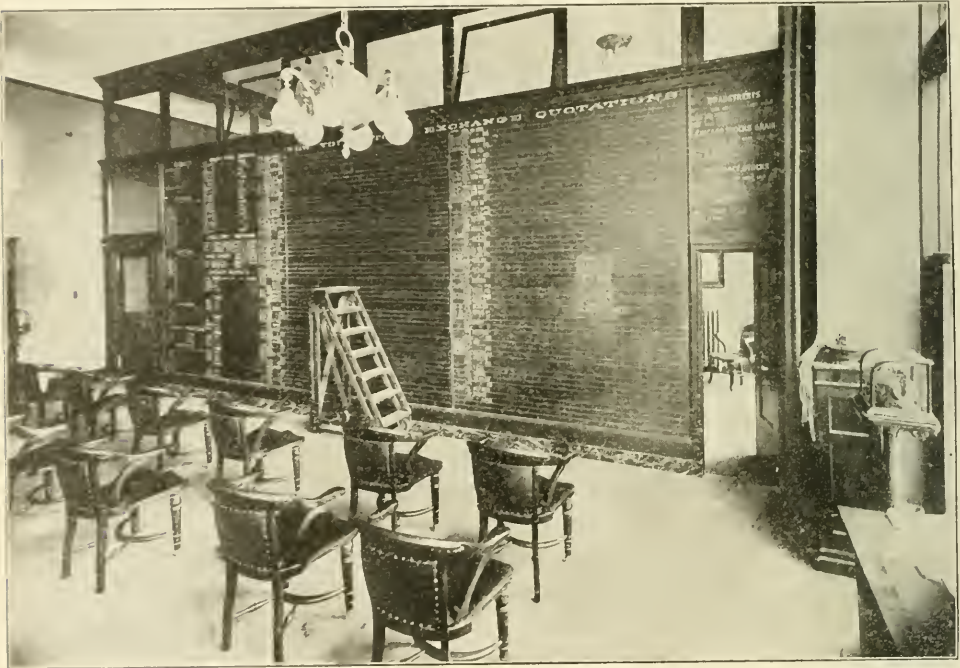
Even, then, if there were no stock exchanges or boards of trade, as carefully organized as such institutions are today, time and the news of great events would be great factors in speculative markets. Much more so is the case today when this business has been developed to the fine art it has attained. We may, therefore, expect to see every contrivance imaginable which will eliminate time in actual operation in the speculative markets today; and that is the case.

In the first place, there are the electrical devices such as the telegraph and telephone to bridge space and time. The cable also is brought into constant service to tell domestic operators the news of the foreign markets. In the great market centers special devices have been evolved, such as the stock and grain "ticker"—a little electrical machine which prints quotations of the market or news of the trading which will affect the trading. This machine prints upon a narrow ribbon of paper whatever is sent by telegraph from a distant source of news. This paper is called the "tape" and it is eagerly scanned during trading hours by speculator and broker.

Then there are news agencies which, while using some form of ticker to transmit news or quotations, also give out small slips printed with news of value to bankers, speculators, brokers, etc. The daily papers also are of great service in speculation, for they disseminate the news which affects prices sometimes very markedly. It was recently estimated by the *New York Times* that the commercial and financial articles and market reports published every year in all the daily, weekly and monthly publications of the country would make nearly two hundred and seventy-one million books of the size of the ordinary novel.

Private telegraph and telephone systems are called into service by brokerage firms doing business in many cities. Thus a firm may have headquarters in New York or Chicago, according to whether its principal business is stocks or grain, or in New York or New Orleans if it deals principally in cotton, and from any of these trading centers may string out thousands of miles of wires connecting hundreds of other cities and towns where branch offices are maintained. A private telegraph wire is necessary because secrets of great importance might be stolen from the wire if it was in general use. Such a private wire between Chicago and New York costs about \$15,000 a year. Some houses spend over \$150,000 a year connecting Chicago, New York, Boston, Milwaukee,

New Orleans, Denver, San Francisco, St. Louis and other cities in one great speculative system. With such devices it is possible to flash a piece of news of great speculative value over the country in a few seconds. Some offices which relay quotations, say of the Chicago grain market, to hundreds of outlying cities have the quotations written on a huge blackboard in front of the telegraph operators, who can see a change in price as soon as it is made and can transmit it to branch offices without waiting for the delay in handling



THE BLACKBOARD AND TICKER.

This is a familiar scene in a broker's office. The "ticker" is an instrument by which quotations are supplied instantaneously, almost, to brokers all over the country. As these quotations are received they are put on the blackboard. Men gather at these places during business hours and watch the fluctuation in the price of stocks and commodities. Fortunes are sometimes made and lost within a few hours.

messages. In such a telegraphic system for speculators and investors one of the principal services is the transmission of "gossip" about the markets, such as is given out in the large cities by the ticker agencies. It is the opinion of certain authorities that, while such a complete system of news gathering and dissemination may increase speculation, it also gives such instant notification of any changes in the financial, commercial or political world, that its tendency is to diminish the effects of commercial panics and crises.

New York Stock Exchange.

Undoubtedly the greatest development in the machinery of speculation has been seen in the history of the New York Stock Exchange. This is an unincorporated institution today, with a limited membership of 1,100 men who own what are termed "seats" on the exchange. The "seats" or membership have sold for as high as \$88,000 each in times of active speculation, suggesting the value of such an association to the broker who executes buying and selling orders in stocks and bonds on the floor of this exchange. The objects of this association are to furnish exchange rooms and facilities for convenient transaction of the business of the members, to maintain high standards of commercial honor and integrity among its members and to promote just and equitable principles of trade and business. While there is much manipulation on this exchange, when a member is found guilty of a breach of the stringent rules he is expelled.

In order to transact business on the exchange of course there must be something to trade—that is stocks or bonds. It is impossible to buy or sell securities which have not been formally admitted by a governing committee to the trading. By reason of the fact that this exchange is the greatest market place for securities in America, the corporations which must finance their business through money raised by the sale of stocks or bonds "list" their issues with the exchange. There are two principal departments on the exchange, "listed" and "unlisted." These include stocks and bonds that are admitted to trading, those in the former differing from those in the latter only by the character of the financial reports which the exchange compels the corporations to publish from time to time. By means of this publicity the exchange has the power of placing before investors needed information as to the soundness of corporations.

About \$15,000,000,000 of securities par value are thus admitted to trading on the New York Stock Exchange. This is a very considerable part of the wealth of the country, but frequently the total capital stock of some companies, through manipulation or speculation, are turned over ten to thirty times a year. Indeed sales of stocks on the exchange during 1901 were valued at \$25,272,329,220 par value. Ordinarily about 600,000 shares of stocks are bought and sold each day, but often more than 2,000,000 shares have changed hands in the five hours of trading while on some days the business has exceeded 3,000,000 shares involving perhaps \$25,000,000. Bond sales frequently exceed \$5,000,000 a day and sometimes reach \$11,500,000.

This great trading place for securities is in the heart of the financial district of New York called Wall Street and has one entrance on Wall Street proper and the main entrance on Broad Street, with another on New Street. The building which houses this exchange is a beautiful new marble structure with every conceivable convenience for trading. Thousands of telephones are connected with it. On two walls of the great board room are 1,100 electrical enunciators, or signals, which warn a member that he is needed at the telephone or elsewhere. Even the air which the members breathe is filtered through great cloth sieves in the basement, and as much as fifteen barrels of water have been extracted from the air that enters the building on a warm, humid day.

When a visitor enters the public gallery of the exchange the first thing that he sees is groups of loudly shouting men gathered about sixteen posts erected at regular intervals on the floor of the board room. The posts are numbered and brokers or traders transact their business according to the allotment of specified stocks at certain posts. Thus, if a trade is to be made in United States Steel stocks it must be at Post 1. On this post are the names of all the stocks allotted to it, as well as figure indicators which the members move to record the number of stocks sold each day.

So important is the immediate knowledge of the price at which securities are selling that a complete system of recording and transmitting prices over the country has been devised. Between each four posts is stationed a telegraph operator to whom are brought by reporters as fast as possible records of all transactions. The sales are at once ticked off on the instruments and relayed by "tickers" all over the world.

The visitors may ask just what is being done in the noise and tumult below him and a detailed answer may be worth while. We have seen in this and preceding chapters what enormous amounts of capital are invested in the securities of corporations. Today as never before business is done through co-operation of many small capitalists, although the great kings of finance dominate. These hosts of smaller capitalists furnish funds by means of investing in stocks or bonds. It is a matter of history that in 1792 during a financial stress the federal treasury came to the relief of the money market by paying out \$50,000. Some time ago E. H. Harriman said in the presence of the writer during the famous litigation over the illegal Northern Securities merger that a deal involving \$60,000,000 was not of very great moment. And it is well known that J. P. Morgan found little trouble in financing the great United States Steel Corporation with over a billion dollars of capital stock and nearly half

as much bonded debts. Now, to float such gigantic undertakings the small investments of the public are needed and the machinery of Wall Street and the stock exchange is necessary to the fulfilment of such great financial schemes. Let us watch the "unloading" process, the method of marketing these stocks to the public.

We have supposed that the promoter who conceived the idea of the corporation has done his work of getting a financial backer—moneyed interests who approve the scheme—and that the corporation lawyer has drafted the charter and by-laws of the company under the friendly wing of such an incorporation law as that of New Jersey, West Virginia, Delaware or Maine, where most trusts thrive. The next thing to do is to get an immediate purchaser, or guarantor of purchase for the stock. The banker who has approved the scheme perhaps is not willing or able to advance all the money.

The natural thing to do is to organize an underwriting syndicate. The banker generally is a principal of this syndicate and several prominent capitalists, in some cases many of them, may be called in to assist. The syndicate agrees to buy the stocks or bonds of the company, or both, and to pay for them on the installment plan as the company may need the money. Generally a certain percentage is to be paid down at once to aid the company in proceeding with its regular business of manufacturing or transportation or whatever it may be. From time to time thereafter certain "assessments" may be called from the members of the syndicate to supply the company with money, that is, in the event that the sale of the securities by the syndicate does not progress well. In the end the company has all its securities taken off its hands and the syndicate is paid either a commission, or is to get its profit between the reduced price at which it bought the stock and that at which it was sold.

About this time the public has been notified that the company's securities are for sale. The manager of the underwriting syndicate may decide at once to have the securities listed on the New York Stock Exchange to facilitate in marketing them, or he may postpone this until a more opportune time. At any rate, about this juncture bits of information favorable to the stock are heard. The syndicate manager calls in the newspaper men or tickers' agency reporters and gives them news of big earnings, actual or prospective. Then favorable rumors are heard about the stock or bond in question.

At this point an actual market price for the stock must be established somewhere. If it has been admitted to trading on the exchange sales are made there; if not, business must be transacted on the "curb." The manipulation of

prices now begins. The commonest method is for the syndicate to hire a manipulator, such as did the United States Steel Corporation management when J. P. Morgan secured the service of the great market trader James R. Keene to market the Steel stocks. Naturally the public knows nothing about a new stock and is loath to buy it. Therefore the manipulator "matches" orders or makes some "wash" sales. The former is a transaction where an operator gives orders to two brokers or sets of brokers for identical amounts of stocks to be bought and to be sold at the same time. In the end he has neither increased nor diminished his holdings, but he had created the impression with the public that there is great activity in the new stock and hence that the public is becoming interested in it. This of course gives a fictitious value to the stock and may attract genuine buying by investors. Manipulation by "wash" sales is where two brokers conspire to make a pretended sale, simply in order to make a record price for the stock. Such methods are of course contrary to the aims and rules of the exchanges, but they are used almost without limit when unloading stocks is desired, either with new or with old securities.

When a semblance of demand for a stock has been brought about the active speculator takes up the matter of temporary investment. Now, throughout the length and breadth of the world there are many people who make it their business to buy securities for the time being, speculators who expect to sell later when the price has changed to their profit. These are men who study conditions and are expert enough to understand values. They fill the function of equalizing prices, of buying up supplies when there is a small demand and of selling to fill the demand when the outstanding supply is short. In times of panics it may be the great capitalists who are the speculators, taking up great reams of securities at low prices and holding them until the trouble has blown over. When the manipulator has been successful in attracting the speculator to the new stock which the underwriting syndicate may wish to dispose of, it may be all the stock can be sold at once to this class. Or the investing public may assist at this time. Let us look at either case.

If it is the investor who comes on the scene all we have to do is to watch him give his broker an order to buy the stock, for which he pays in full in cash, plus a commission of one-eighth of one per cent. The broker himself may go to the exchange and transact the business or he may have an agent do it. If we watch this phase of the business from the gallery of the exchange we see two men meet a moment at one of the posts; one offers a certain price for a certain number of shares of stock, the other accepts or names another

price. It is much the same as a horse trade, only on the stock exchange the stock certificate does not change hands. The brokers simply make an oral agreement and take a memorandum of the trade. Later the transaction is completed by clerks delivering the shares at the purchasing broker's office and getting a certified check in payment. All the business on the stock exchange is done in this simple, trusting manner, yet in active business the haggling of prices makes such a din that it can be heard all over the building and even outside of it.

The trading of the speculator is not so simple. He trades almost invariably on margins, that is, he buys, say, \$100,000 worth of securities and pays perhaps \$5,000 or \$10,000 for them, having an encumbrance of the balance on them. The reason he chooses to do this is that he can employ a smaller amount of money to a greater advantage than by paying in full for the stock. The speculator can always borrow money from the banks or trust companies or from his broker on the stock, for unless it is a time of panic securities are generally good collateral at the banks for loans. This speculating class may be divided into several kinds of traders: the "room trader" who is a member of the exchange, always ready to take a position on the market at a moment's notice; the average speculating public who buys or sells for profits and not as an investor seeking an income, and the "professional" speculator who also may be a "room trader."

The onlooking public does not understand the difference between such speculation as that of the "room trader," who always is in the market, and ordinary gambling. The difference strictly speaking generally exists, but sometimes, even often, does not. Because the fluctuations of prices appear to be uncertain, and indeed are so from day to day, the machinery of speculation serves the purpose of gambling quite readily. The bucket-shop, which is simply an imitation of a true brokerage office, thrives on pure gambling. The speculator, however, does his business as scientifically as any business is conducted. It is the speculator's business to know conditions; he may make mistakes in judging of values and their relations to prices, but so does every business man some time or other. The greatest benefit the professional speculator serves is to discount the future, as we have suggested. When he sees popular sentiment overrunning itself, he checks it by selling stock "short." If the public is getting drunk with a boom, or by taking up stocks thrown over by the frightened public in times of panic, this process serves as a balance wheel on investments and on general business as well.

It may be set down, then, as a fair rule that the man who speculates on

blind chance with the hope that prices will go as he wishes is a gambler pure and simple. The man who judges of conditions and acts with this judgment is one who makes speculation his legitimate business. One other rule, perhaps, should hold good: that the professional speculator, while appearing to do a great business on a relatively small capital, does in fact measure his means with great care, whereas the casual speculator who may be a gambler in spirit frequently makes speculative contracts beyond his means and by not being able to protect his transactions is "wiped out" on a small turn in the market.

Chicago Board of Trade.

As the stock exchange serves the investment and speculative community in securities and aids corporations in securing money from stock and bond issues with which to conduct their business, so the cotton exchanges, the coffee exchanges and the boards of trade and produce exchanges serve the farmer, the miller, the elevator man, the spinner, the roaster, and the speculator in their respective commodities. And for the purpose of considering the methods of these exchanges let us take as an example the Chicago Board of Trade, in which centers the principal grain and provision trade of the world. This institution is chartered under the laws of Illinois, not to do business itself, but to maintain an exchange hall and to regulate the action of its members, who number about 1,800 persons. Memberships on this exchange are worth about \$3,500. One of the principal functions of the Board of Trade is to raise the standard of commercial honor as conceived under the present commercial and competitive system, to establish grades of grain which shall be deliverable on contracts and to discipline members who do business in an illegitimate manner.

The machinery of speculation on the board of trade is not unlike that on the stock exchanges. Instead of "posts" at which trading is done, this board is equipped with what is called "pits." These are octagonal platforms in the shape of ascending and descending steps surrounding an open space. Possibly more accurately the pit is the open space surrounded by these steps. On these steps and in the pit the men who have transactions to make congregate and "bid" and "ask." There are four pits on the Chicago Board of Trade, one each for wheat, corn, oats and hog products.

The rise to importance of this board came with the rise of Chicago as a great shipping center. The city occupies a strategic railway and lake position. With the development of the great live stock and packing industries at its stock yards and of the business of sending grain through it to mills or

to foreign ports, an intricate machinery to handle business in many of these food products of the world found growth on the Board of Trade. In time the "future" contract was found to be serviceable and speculation was fostered. But lest the reader gain wrong ideas of the magnitude of speculation in grains and provisions compared with direct cash business in these commodities, let it be said that in a good year Chicago receives 27,225,000 bushels of wheat and



TRADING "PITS" OF THE CHICAGO BOARD OF TRADE.

Traders are divided into two groups known as "bulls" and "bears." Any man holding a commodity and wishing to sell it, or holding a future privilege to call for it at a fixed price, naturally desires to see the price of this commodity rise, and devotes his energy to hoisting the price in any way possible and is therefore known as a bull. The bear is the one who wishes to buy a commodity, or who has an outstanding contract to deliver at a fixed price at a future time, that which he has not now in hand, and his interest therefore is to deprecate the price. It is this condition that makes the eternal quarrel between the two elements on the market.

ships out as much, and handles in the same manner some 9,000,000 barrels of flour, over 100,000,000 bushels of corn and nearly as much oats, while its live stock and packing business, part of which enters into the business on the board, runs up to \$600,000,000 annually.

Prior to trading in "futures" Chicago largely was a cash market. This brought all sorts of uncertainties. If a farmer ordered an agent in Chicago

to sell a certain quantity of grain he had in his farm bins it often proved on delivery that the grain was not good standard. On the other hand, the farmer almost always waited until his grain was harvested before taking advantage of the market. Today, however, the farmer knows just what is standard grade deliverable on contracts on the Chicago Board of Trade. Either he or the grain dealer at the small country city, by means of the "future" contract, can sell grain which has been stored away to dry without waiting. He insures his profit against a change in the market. But if he did not take advantage of these methods, which minimize risks, and waited for all the changes in the market up to the time he could deliver his grain, he would be speculating more than otherwise. Millers do the same thing by buying wheat for future delivery on the board of trade, thus insuring themselves a supply to make flour with when the given day comes around. This enables both farmer and miller, as well as the middle grain man, to equalize supply and demand and to reduce risk in their business. It is all done scientifically and smacks of speculation, but in no wise is it gambling.

But there is some one who does do the speculating and gambling. Of the latter it may be said conditions in the grain and provision market obtain as in the stock market. The distinctly gambling operations are those done on blind chance, with little science and often with limited capital, so that the intention of the speculator evidently is to gamble simply on the changes in prices. The speculator in grains, as in stocks, is a man of a class who studies conditions of supply and demand, flood and drought, etc., figures scientifically what commodities are worth, and trades accordingly. But let us take the finding of the government Industrial Commission of 1898, appointed to report on speculation in agricultural products, as judgment of the position of the professional speculator in the grain market. That report says:

"The first fact to be recognized in the survey of the American system of distributing farm products is that it is essentially a speculative system from beginning to end—speculative in a sense that after the products pass out of the producers' hands and until they pass into the consumers' control, there is not a moment nor a stage in the distributive movement during which the one who has legal control over the property in question does not run the risk of a rise or fall in the value of the property. With the growth in the volume and scope of production and in the variety and the complexity of operations involved in the marketing of the product of the farm, there have grown up gradually classes of men and commercial methods peculiar to the purposes and conditions which call them into existence; but in the vast army of men

and in the infinite variety of methods there is not a single responsible agency engaged which is not in some way required to assume liability for loss or gain from changes in value occurring in the course of distribution from the producer to the consumer. In brief, the risks of distribution are shifted by both producers and consumers upon the distinct class of speculators known as distributors, who make it a business to take such risks and to divide them up among themselves on the basis of net profit on capital and cost of business capacity. This, in the final analysis, is the underlying factor in the system of distributing farm products in the United States.

"Stated in the form of propositions the distributive system presents itself as follows:

"First—The existing system of distributing that portion of the surplus farm products which is required for domestic consumption is the necessary outgrowth of the fundamental division of labor between town and country in our national development.

"Second—This distribution of surplus farm products, regarded as a commercial system, is a development out of the constantly widening distance between the areas of surplus production and centers of consumption arising from the territorial expansion of the United States.

"Third—The distribution of the excess of surplus farm products among the deficit nations of the earth—that is, the distribution of that portion not required for domestic consumption—involves so many elements of risk to capital and labor as to make this world-wide service to society a distinctly speculative business of an altogether too hazardous character for producers or consumers to render without subjecting society to still greater risks of providing a regular food supply.

"Fourth—These speculative risks, inseparable from the national distribution of surplus farm products, have inevitably reacted upon producing and consuming nations in such a way as to develop a new division of labor, that of capitalist-speculator, whose function it is to relieve both producer and consumer of the hazards of distribution, so that the surplus of one portion of the earth may regularly be supplied to the deficient portion at such a price as in the long run will a little more than balance the gains and losses of this species of commercial enterprise, without unduly enhancing the cost to the consumer or unduly depressing the margin of profit to the producer.

"Why has commercial distribution in the United States become so largely identified with a speculative class of trading capitalists? The answer is that it has been found best for the producing and the consuming interests of the

community that the risks of distribution should be localized in a separate commercial class, whose members are in a position to inform themselves as to all the factors, past, present and prospective, affecting the future course of prices. If the risks of distribution fell upon the farmer, it would increase materially the risks of capital required and thus raise the rate of interest he should have to pay as producer, because increased risks always raise the rate of interest. This would increase the cost of production and consequently tend to reduce consumption by rise of price to consumers. Such rise of price beyond a certain point would reduce the volume of trade.

"If consumers assumed the risks of distribution there would be very inadequate provision for the future. Irregular supply of subsistence soon breaks down the economic efficiency of consumers, besides impairing their regular consuming capacity as customers of the producers. Hence the community—producers, traders and consumers—all suffer together. Regularity in supply of the means of subsistence is a great desideratum in economic welfare, but it is so automatic a process that we really do not notice how it is accomplished. The work is done through the medium of a market price: a higher price brings forth more, a lower price brings forth less. Now, it is the speculator who has to decide in advance on the price at which a regular supply will, in all probability, be forthcoming from producers in sufficient quantity to meet the regular requirements of the consumer. One speculator might place the future market price too high, another too low, but as a class they correct and check one another. It is to their interest as distributors to call forth all that the consumer will take, and no more.

"Speculators as a class, therefore, are interested primarily in a correct judgment, as much so as is either the producer or the consumer of the product in which the trader speculates. If, for instance, the Liverpool wheat speculator should, through an error of judgment or calculation, set the price of May wheat 10 cents below the correct world price, the surplus stock would meanwhile be distributed elsewhere until the shortage in the Liverpool supply became evident from a rise in price paid by consumers. This would bring some of the misdirected shipments to Liverpool, but not so much as if the blunder had not been made in the beginning; other places, whose speculators more correctly anticipated future prices, would supply themselves more fully than usual. Thus the volume of trade at Liverpool would be reduced by a valuation too low to bring an adequate supply; the consumers' customary demand would be inadequately supplied at the undervalued price, and the total expenses of distribution increased by the defective judgment of the speculator.

"These two kinds of service are peculiar to speculative distribution—the service of assuming the risks that arise from changes in the relation of demand and supply and the service of giving the right direction to the commodities available for consumption. Even in famine-stricken India the government regards speculative distribution of supplies as on the whole far more efficient than any bureaucratic distribution could be. Without this modern markets would be deprived of a very great share of their efficiency in serving producers and consumers. In fact, those who have thought out the subject more thoroughly have found in this directive work of speculation the chief justification for its existence. Where government has assumed even part of the risks of crop distribution, as in Russia, piles of wheat rot in one section, while people starve in the next."

The Barometer of Business.

Most people, when they hear of Wall Street or stock speculation, think first, and often only, of the gambling phase of the markets. There is, however, a very different view of what is taking place in the great marble halls of the New York Stock Exchange and the other bourses of the world. For, in a word, the stock market is almost the infallible barometer of business conditions. Frequently you hear a banker or railway president, perhaps, and often the newspapers say that Wall Street is the only blue spot in the country, that the panics on the stock exchange amount to nothing and that the changing of hands of untold fortunes or the advance or decline of stock prices mean nothing. Then just as surely as the seasons rotate you will find business conditions change according to the forecasts of the stock market.

Few people understand how far the market in stocks reflects conditions that exist in general business or to what an extent the investment of capital in other avenues than those of the corporate undertakings is directed by it. Often it is said the merchant, the manufacturer, the real estate dealer or the like need pay no attention to what is going on in Wall Street. But this market for stocks really is the market for all uninvested capital; it gauges the amount of the supply and tests accurately the demand for it. When prices of stocks are high the suggestion is that some one must be anxious to own them—that, indeed, they must be earning good money, for capital seeks investment where it can earn good money. When stocks are high it is readily seen that those who are operating business in corporate form will be encouraged to start new enterprises which shall be operated by new flotations of capital

stocks. For a demand for stocks, like anything else, will find some one meeting the supply.

When there is abundant fruit of prosperity visible in the form of idle money in the savings banks or elsewhere the owner of this money generally wants to invest it. This was seen in the accumulation of wealth after the hard times of 1893. People in great number sought investments. They began to buy freely of stocks and bonds as well as of real estate and other forms of wealth. They paid off their mortgages, if any encumbered their properties. The great captains of industry saw that there were not enough supplies of stocks and bonds to absorb all the money that was accumulated and they also saw it was an auspicious time to start new enterprises which were to be started by the flotation of issues of stocks and bonds. The active demand for stocks in the boom after President McKinley's election ran into a craze for speculation and this caused such zealous promoting by scheming capitalists that they overdid the thing. But the great boom in stocks showed what were the sinews of strength of the nation and was a fore-runner of the great commercial boom in which the business of the United States was the greatest in history.

But when the overspeculation had caused great risks to be taken by the people in buying watered stocks, etc., there was a time when the stock market called a halt. This was in the fall of 1902. For over a year there was a state of semi-panic in the stock market with prices of investments in stocks and bonds going down almost constantly. Then it was that people who did not understand said Wall Street was nothing but a nest of gamblers. Wall Street, however, knew how the capitalists had issued too many stocks and bonds—indeed so many that the public would not buy them and J. P. Morgan called them “undigested securities.” While this had been going on the business man who was running his affairs on money raised or to be raised through the sale of securities had been building so many factories that pretty soon there were more than could be used at the time to a good advantage. This was true especially of iron and steel mills. Such a condition, coupled with the condition of “undigested securities” set the stock market men to thinking. They could sell no more stocks to the public and they were afraid the new factories and mills could not be kept busy enough to earn money on the stocks and bonds by means of which they had been erected. This made the stock market speculator begin to sell stocks “short”—stocks he did not possess, with the idea that when the price of securities was forced down he could buy in enough to cover his “short” contracts at a good profit. Soon all stock specu-

lators were working in this manner. This frightened the public. No new stocks were bought by investors save at lower prices and many old ones were sold out.

About this time some of the railway managers needed to buy new rails, cars, locomotives, etc., in order to improve their facilities for transportation in the recently increased business field. They wanted to sell stocks or bonds with which to do this but no one would buy except at prices too low to consider. At the same time people began to feel panicky and wanted to hold their own money. This made money rates high and contributed to the stringency caused by recent overspeculation. Therefore, the railway managers could not keep steel mills busy with their orders. With business in steel and iron decreasing rapidly companies in this business could not earn money enough to pay all their dividends. So this in turn hurt the prices of stocks. After a time banking business fell off and railway earnings declined because of decreased general business. It was only when this process was carried to the extent that money, which had been secured from selling stocks, from stopping work here and there and otherwise had begun to accumulate that the people began to realize that there was wealth enough in the country to start business ahead once more. Then it was again the stock speculator who first discovered this. And at once he began to advance the price of stocks, which foretold the revival of business again. For as soon as stocks and bonds could be absorbed by people with idle money once more, the railway managers sold new issues and with the proceeds bought new rails and other equipment. The steel and iron mills began to hum with industry again. They earned new dividends and in turn this helped the price of stocks again.

Because of the fact that shrewd business men regard Wall Street as a good prognosticator of future business events, Wall Street naturally is always looking ahead some months. Frequently when prices are booming in the stock market conditions are being developed which shortly may hurt business. Then Wall Street takes the other tack, and the business world wonders what Wall Street possibly can see ahead that suggests danger when everything seems to be going along so swimmingly. On the other hand, when things begin to look the bluest in general business Wall Street frequently is the first spot to reflect brightness.

In this business of discounting the future Wall Street takes account of the crops. Will they be good or bad? Wall Street must know, for if they are to be good it means more dividends to the stockholders of the railways which carry the big crops; or if they are bad it means lessened earnings.



STATE STREET, CHICAGO.

This is the greatest retail business street in the world. While the above photograph was taken during the noon hour, 12:30 by the clock shown in the picture, it is nothing unusual to see the crowds of people on the sidewalks elbowing their way along during any hour of the day.

CHAPTER XVI

DIFFERENCE BETWEEN SPECULATION AND INVESTMENT.

A Majority of the American People are Speculators—Invest Their Money Blindly in Securities—Do not Know the Difference Between Saving and Speculation—Real Estate the Real Safe Investment.

WE HAVE already seen in the chapters on the Money Trust and the Insurance Trust where the greater part of the savings of the people are placed. We know that in the savings banks alone there are deposited over \$3,000,000 of the savings of the people of the United States, representing over 7,000,000 depositors. And the life insurance companies hold assets to the amount of over \$2,500,000,000. It has been estimated, that by reason of some people holding more than one insurance policy and some people having more than one savings bank account, the savings in these two principal savings mediums are controlled by about 8,000,000 people—or about one-tenth of the inhabitants of the country. In the chapter on the world's savings bank deposits we saw that, while the United States stood at the top of the list of countries for the amount of money saved, it stood fifth in the matter of the number of savings bank depositors. Therefore we learn that in proportion to the number of inhabitants of the country we fall behind Germany, France, the United Kingdom and Japan in frugality.

Now, what a nation saves constitutes a nation's capital. It is a good principle to save, but it is unwise for a nation to become miserly. Therefore that which will promote the greatest enterprise and general well being is the best thing for the country. This comes through investing savings wisely so that many small sums of money will go toward strengthening a nation in its work of progress. The people of France have long been known for their saving ability and the habit of investing their savings where they will do the most good as a whole. France is one of the richest countries of the world and her financial power is enormous on account of the frugality and aggregate savings of her people, yet the amount of her deposits in savings banks is even less than those of Austria and compare with the United States as 8 to 30. But the French people are a class of small investors in securities. While they

may have suffered severely at times because of misplaced confidence, as threatened to be the case in their holding great amounts of Russian bonds during the Russo-Japanese war, there can be no doubt that on the whole the people of France are much better off because of their habit of investing directly in securities.

Here in the United States we stand the richest people of the globe and also the most prosperous. But this is not because of our savings. Rather it is because of the great wealth of the country that our savings are as large as they are. The savings of this country are given over to other people like the banker and life insurance manager in trust to control, well if possible, badly frequently. It is believed by many good and competent judges it would add much to the welfare of the country, and also would help to check concentration by a few men in the Money Trust and in the Insurance Trust, if the people as a whole would make intelligent investments of their savings in securities. This is not intended to discourage life insurance, for that is a great factor for laying up something for old age or in the case of death. Nor is it desired that savings in the banks of the country be discouraged. Rather it is to be desired that more saving be done and that in such a manner as will tend to distribute more widely through the people the ownership of the great producing and distributing agencies of the country and to a large extent to bring these agencies under the more direct control of the people instead of concentrating them in a few hands.

The trouble in making investments is that the average person does not know the difference between this form of saving and speculation. It may be said what is one man's investment in another's speculation, and what is one man's speculation may be another's business. It has been shown how speculation is a business transaction for profit which involves risk. To invest primarily is to lay out money with the view to making profits with a small amount of risk. Furthermore investment suggests a more permanent use of capital as opposed to speculation. Thus the principal laid out in investment is expected to remain intact and to bring in a regular income, whereas speculation risks the principal for a short time in the hope of a large profit. In the stock market it is customary to speak of an investment as being the purchase of high class securities which yield a low rate of income, these securities to be paid for in full and put away for permanent keeping. Speculation in the stock market is regarded as trading on "margin" in a large amount of stocks and with a small amount of capital, with a hope of closing out the transaction soon with profits. Here it is merely the fluctuation in price which is considered

in speculation and it does not matter much for this purpose whether the security has an income or not. Thus, it is seen, what may be the relative difference between permanent investment and quick speculation, between a transaction that calls for security and one that necessitates risk.

But many so-called investments, especially if they are made with poor judgment, are less permanent and more risky than speculative transactions. The man who makes it his business to speculate in stocks may risk less than many people who are not expert may lose in investments. To such a trader speculation is, in a large degree, an investment—an investment in his regular business. A person who has devoted a life time to the study of mining properties might put his money into a mining stock with such knowledge as to make the transaction an investment; while for the majority of people this would be a speculation. What might be considered an investment by a business man would be a speculation in the case of a woman or the guardian of trust funds.

Now, it is of greatest importance to get a clear idea in regard to this matter if one has money to invest. The first thing he must decide is whether he really wants to invest or to speculate. If the latter he must choose deliberately to accept great risks for the chance of making possible great gains. For instance, if some big railway project is to be started which needs funds, it may be some time before the road would earn money enough to pay dividends on its stock regularly and thus make it an investment. Yet it would be perfectly legitimate for one to put money into the enterprise if one believed profits eventually could be made out of the transaction. Such a deal is nothing but speculation; though to the man who knows all the details and weighs all the risks and chances it may appear as clear as an investment as government bonds would to a banker. Indeed, the great railways and industrial enterprises of the country were built upon just such risk—speculation.

If a man wants to make an investment he must decide what kind he will enter. If it is an investment which he has the time and intelligence to watch, keeping track of every changing condition of business he can afford to put his money into securities which yield a comparatively high income—and it is a rule in finance that *wherever there is a high rate of income there is an element of risk*. But if he wants an investment that will relieve him from any anxiety, by giving him absolute security, he must be content with a low income. Security and safety must be paid for like any other asset. For many people, no other investment than the latter ought to be entered into. This



A TYPICAL BUSINESS OFFICE OF A LARGE CORPORATION.

A picturesque feature of the industrial and commercial institutions which have been forming within the last few years, is the astonishing perfection and magnitude of their business administration and office organization. The day is past when the head of a large business can personally maintain direct control over its destinies. It has become a matter of office machinery, of high organizations, of department managers, of selected trustworthy men, to whom sub-divisions of the work may be entrusted.

rule really applies to the majority of people; certainly those whose capital consists of savings from small wages.

Yet it is exactly to this class of investors that the promoters of the wildest schemes of finance appeal. It is exactly this class which is most fascinated by wild stories of impossible dividends amounting to 50 per cent, 100 per cent or even 500 per cent a year and other "get-rich-quick" propositions. Sometimes schemers bring all sort of arguments to bear to fleece the people of their savings. Often circulars are sent out making fun of the old financial adage that "anything which pays more than the 4 per cent paid by savings banks is risky." Arguments are made that if this be true it must be risky to put money in the savings banks, because the only use the bank has for the money is to put it into some earning more than 4 per cent. Such contention often goes on to say that when a person accepts 4 per cent from a bank he virtually pays that bank four to six per cent of the earnings of his money for the use of the bankers' judgment. Now this sounds plausible and doubtless it brings many dollars to the schemer, dollars that doubtless ought to be put into savings banks because their possessors have not the intelligence nor the time to invest for themselves. In reality it is deceitful. The law which rigidly restricts the investments of savings banks shows what experience has demonstrated as being the only kind of investment a certain class of people should enter into. It would, however, be absurd to restrict a business man to an investment of a savings bank character. He wants something that pays better, and he has the capacity to look after it. Yet even he may keep a certain reserve in a low-income investment, in order to obtain that safety which is the only protection against the approach of disaster.

Recently the Equitable Life Assurance Society, in speaking of its method of investing trust funds, said:

"There is one way in which dividends to policy-holders might be largely augmented, but it is a way which will never be countenanced by the managers of the Equitable. That way would be to invest in speculative ventures. The income from the Society's invested funds might be greatly increased if such a course should be followed for it might result in a large temporary increase in dividends to policy-holders, but deterioration would be the inevitable consequence, and the Equitable would cease to deserve a full measure of public confidence. What is true of individual investments is equally true of the aggregate investments of a great organization. High interest suggests possible risk to principle. A moderate rate indicates security."

A well-known authority commenting upon this publication said it might

have been written for the guidance of every trustee of funds in the United States, and continued:

"It is as true of the individual investor as it is of the Equitable Life. The real investment fund put into speculative issues must ultimately deteriorate. The less the speculative element, the greater the stability, and stability is the great desideratum of investment. This statement does not apply to the business operations of business men. Business itself is speculation. But the business that is not conducted by business men, understood by the men that run it, carefully watched and guarded, is a speculation that is headed straight for ruin. What would one think of the trustee who put a woman's fund, for instance, into a commercial enterprise with the management of which that trustee was not familiar; the credit of which was not beyond all question sound; the sole recommendation of which was the fact that profits were large?

"To put funds into the bonds or stocks of any corporation is to become a partner in that corporation. No man, not imbecile, will knowingly become a partner with knaves or incompetents unless he intends to keep most careful watch upon his partners. Yet thousands of the intelligent citizens of the United States will each year blindly buy the stocks and bonds of companies whose managers are both knaves and incompetent—merely because the dividends look large, perhaps, or because the prospectus of the company is pretty to look at, promises many things, and, on the whole, is comforting. To this great innocent investment class it must come as a shock that the huge 'Equitable' is afraid, actually afraid, to touch the securities that are fed out in millions to the public. The 'Equitable' has the best financial advice in the world. Great financiers and bankers sit upon its board. The combined investment wisdom of Jacob H. Schiff, E. H. Harriman, J. J. Hill, August Belmont, H. C. Frick, Sir William Van Horne and a dozen other such, is at its call. Yet the 'Equitable' dare not, with all this market wisdom at its command, take the bonds and stocks that are sold daily into the small safes of the country parson, the backwoods lawyer, the widow of the petty tradesman in New England. Daily, the widow's life insurance legacy is sunk in stocks and bonds the 'Equitable' dare not buy, because it feels the risk is far too great. There is a grim humor in this paradox of the investment world. It is to-day as true as when it first was written:

"'Fools rush in where angels fear to tread!'"

How \$1,500,000,000 of Bonds Change Hands Every Year.

It should not be taken for granted that because the New York Stock Exchange and some of the other exchanges of the country make a business of creating a market for investments, all the stocks and bonds of the country are sold on these exchanges. In the sale of bonds the greatest factor is the group of banking houses in Wall street which have branches or close connections in other domestic financial centers and likewise in the great markets of Europe. Indeed, these houses do a business which often equals and sometimes even excels the tremendous stock speculation on the New York Stock Exchange, for bonds representing about \$1,500,000,000 are marketed through this medium almost every year.

We have seen that merchants, manufacturers and other capitalists who do business in corporate form frequently borrow money on which to extend their facilities. This frequently is done through issuing bonds secured by a mortgage or other lien on the property of the capitalist. In times when a great expansion in general business is under way—when prosperity smiles brightest—there are a great many bond issues for sale. The principal buyers of bonds are the insurance companies, banks and small investors. Insurance companies with their gross incomes running in excess of half a billion dollars every year naturally must find some place to put the money so that it will earn interest for the policy holders. When expenses are paid frequently \$200,000,000 is available for such purpose. Of the banks the saving institutions can be counted on to take up something like \$150,000,000 and the trust companies and national banks absorb about the same amount. The millions of investors, large and small, domestic and foreign, take up the remaining billion.

There are two principal classes of bond dealers who make it their business of transferring these bonds from the corporations which issue them to their final lodging place with the investors. These are the great national banks, trust companies and private banking firms which make up the principal underwriting syndicates; and the private bond houses, which though sometimes members of these big syndicates, generally dispose of their bond offerings through private correspondence to the minor yet all important investing public. Of the first class we find such great institutions as the National City Bank, First National Bank and National Bank of Commerce of New York City; the Illinois Trust and Savings Bank and the First National Bank of Chicago and similar big concerns. Of the big private institutions which manage great

financial underwritings there are a half-dozen principal houses such as J. P. Morgan & Co., Kuhn, Loeb & Co., Speyer & Co. It is the business of these firms to be able to float at command any amount of bonds and to be able to secure money to any fabulous amount almost in an instant. For that reason the members of the private banking firm and the directors of some of the great banks are one and the same. This power is carried even further. As we have shown in the chapter on the Insurance Trust members of the firms often are directors in great companies which need to sell bonds and stocks from time to time, and besides being thus actual seller and seller's agent, these bankers frequently are on the board of directors of some insurance company or trust concern which in turn will buy the securities offered for sale. Thus they become seller, seller's agent and buyer-in-trust for the people whose savings may be deposited with them for safe keeping.

As a general thing these big private banking firms each can dispose of \$100,000,000 to \$300,000,000 a year, and where the business of being both buyer and seller is often easily regulated the profits of a house of this character may be anywhere from \$2,000,000 to \$8,000,000 a year on this business alone.

It is largely because these firms have such great facilities in connection with friendly banks that they get the great business they command. Sometimes they are expected to obtain money when money is very hard to get. If the occasion warrants it the house will ransack all the financial world to get the desired funds. Even the government has had access to them in order to sell its bonds when hard times pressed. For several reasons great railways and other corporations have a special financial interest in some one or more of these banking houses. In the first place the close relationship of private and national banks in Wall Street and the interrelation of directors of these concerns in the great corporations of the country dictates such relationship. For instance, just now there is close relationship between the firm of J. P. Morgan & Co. and the First National Bank of New York. We generally find then that this interest, principally the house of Morgan & Co. acts as fiscal agent for such companies as it is most closely allied with. Mr. Morgan was the great genius in forming the United States Steel corporation and he almost owns the Southern Railway. Therefore, we find these companies among his closer business ties, together with such others as the Erie, the New York Central, the Hocking Valley, the General Electric company, the Lake Shore Road, the Atchison and Northern Pacific. On the other hand the great influence of the National City Bank, the Rockefellers and the Harriman interests

are associated more or less definitely with Kuhn, Loeb & Co. This firm generally acts as fiscal agent for the Pennsylvania Railroad, the Baltimore & Ohio, the Norfolk & Western, the Union Pacific, Southern Pacific, Illinois Central, etc. Such roads as the Rock Island, Mexican Central and some others and several foreign governments like Cuba and Mexico use Speyer & Co.

Much of this sort of selling, however, is into smaller bond concerns, which in turn sell to the investor who keeps his bonds for good. There are hundreds of these bond houses and nearly every bank does a business of buying and selling bonds to some extent. There are many rich people in the United States of whom the newspaper reading public never hears. These people have money to invest and are eagerly sought out by retail bond houses. The big syndicate houses we have described more properly are in the wholesale business. Though the bond firms may do a retail business, they often handle very great transactions both in single amounts and in the aggregate. For instance, some of these houses have list of investors on their books running from 5,000 to 25,000 names, representing all localities of the country and even some foreign countries. One bond house in Wall Street has a list of 22,000 names, each of which represents an average yearly purchase of \$5,000 of bonds. This means \$10,000,000 business a year. With such power and ready ability to place securities with the public such a bond firm would not fear to subscribe itself to as high as \$20,000,000 of good municipal, county or railroad bonds, for it could find a market for them at a profit with no trouble.

Of course the reputation of a retail bond dealer is very important in bond transactions. The average small investor buys securities because they are recommended to him, not because he knows definitely of their value. For this reason the bond house must be able to advise as to the character of investments offered for sale. If these were to turn out badly the customers of a firm would lose money and the firm would lose its patronage. This necessitates great care and investigation on the part of the bond firm, and indeed, there are few houses but that can boast their customers have not lost money through investments advised by them. It is generally the "get-rich-quick" swindler and not the reliable bond dealer who robs the public.

These bond firms employ a great many salesmen, some of them as high as forty. Wall Street alone has about 300 such men, and Chicago, Boston, St. Louis, San Francisco, Denver, New Orleans, Minneapolis, St. Paul and other big cities send out men over the country to both buy and sell securities. These men are almost all experts in bond values and some receive as high as \$10,000 to \$15,000 a year compensation.



SUBMARINE CABLE—MAKING MACHINERY.

The United States Government recently completed (1904) the first submarine cable across the Pacific Ocean, connecting San Francisco with our island possessions—Hawaii, Guam and the Philippines. The distance is nearly eight thousand miles and the cable is almost triple the length of the longest submarine wire ever laid and cost about nine million dollars. The component parts of a cable are: The seven copper strands which are twisted together; the hemp, tar and rubber casing which protects them from the water and the heavy steel binding that acts as a shield against rocks, wreckage, keels of ships, etc. Previous to the completion of the cable a message to cover the same distance would be required to travel over twenty-six thousand miles, or more than the circumference of the earth.

CHAPTER XVII

MORALITY IN WALL STREET.

Great Financiers Are Trustees of Wealth for Others—Abuses of Sacred Trust Speculating with "Inside Information"—Juggling with the People's Savings—Great Power Creates Great Obligations.

IN THIS DAY, when the world has been astounded by such scandals as that in the Equitable Life Assurance Society, the defalcation of several bank presidents, and misdeeds by the speculative director of watered or unwatered stock corporations, one of the most pertinent themes for discussion is that of the morality of Wall Street and of the financial community at large. It has been said that every man is a steward or trustee for others and must be judged according to the faithfulness of his trusteeship. Let us stop to consider what this means today.

We can scarcely appreciate the enormous size of trustee'd wealth today. There are some \$10,000,000,000 deposits in all the banks of the United States, about \$12,000,000,000 in capital in railway corporations, \$11,000,000,000 of life insurance in force and perhaps \$12,000,000,000 of capital in industrial and franchise organizations. Here, then, nearly half of the wealth of the whole nation is shown to be administered by a few trustees for the benefit of the many. This very fact calls for a higher morality and a stricter sense of honor than where business is carried on for and by an individual. The man who accepts the position of a director or trustee of other people's property finds himself held to stricter accountability than if he acts solely for himself. His directorship or trusteeship is a sacred trust. He finds himself confronted with two facts:

First. A corporation is not a private affair, but a creature of the law, allowed to exist only by the law; an artificial person made up of many changing individuals, and therefore in important relation to the public and strictly accountable to it for all acts.

Second. A trustee or director is serving, not for himself, but for others. Strictly speaking, he is a public servant and has no power of trusteeship in order to enrich himself.

Failure to recognize these truths is destined to result in the eventual collapse of the whole corporation system. It has been said with some accuracy that there are three things which cause immorality in corporations, and in Wall Street in particular, namely, "the ignorance of the stockholders, the demoralizing effect of collective responsibility and the feeling of the director that he has no right to jeopardize the opportunities of profit by listening to scruples in which he has no assurance that the stockholder will share."

Here we find perhaps the principal causes of business immorality. The average stockholder, generally being a minor investor and not connected officially with the corporation, does not feel shame at any misdeed done in the name of that corporation, as he would if he shared in the business through ordinary partnership. The stockholder might desire most heartily to keep down such abuses, but he is kept in ignorance of the company's acts; and the director, being an official who is to act frequently in some manner that may affect the market value of the stock of the corporation—what is called an "insider"—is tempted to use his "inside" information in the speculative market for his own profit, arguing with himself that he would do himself an injustice not to use it and would do the stockholders who trust in him no good to turn from the temptation.

It is in the abuses of sacred trust that Wall Street finds its severest indictment. Wall Street no longer means simply the crooked, narrow thoroughfare in New York City flanked by banks and financial houses, but the general financial and speculative community of New York, and inferentially of all America. It is at this center that all great financial operations find form or completion: that railway and other corporation directors have their headquarters or special meetings: that the biggest market for stocks and bonds exists, and that in general most important financing develops. Therefore, in a great measure, the morality of narrow Wall Street is the morality of financial America. And as has been said, it is in the violation of trust for the sake of gaining personal profit that the worst phase of business immorality is seen in Wall Street.

Considering the amount of billions of wealth controlled by directors and trustees, the actual visible defalcations, thefts, robberies, etc., committed are so insignificant that Wall Street may be called, in that sense, highly moral, notwithstanding the strictures against the wickedness of speculation and gambling seen in the stock markets and other exchanges. This speculation can be and has been explained on good ground as being justified by more than one cause. Speculation in securities, grain, iron, lumber or what not, requires a legal con-

tract, in which there shall be no fraud, and in which the parties to the contract shall be competent and shall give their consent. In general, this business is transacted with honesty. But let us consider some of the specific exceptions.

In the first place there is a serious question whether certain people are morally competent to speculate. With only a few exceptions it seems to be a truth well known in all the speculative markets that a broker must get a new set of customers every so often: that win, as some lucky one may for a time, in the long run the "public" or "lambs," as the outside speculators are called, lose capital. This at once raises the question of, Who gets this money? Much of it goes to brokers in commissions for transacting business for the speculator; much of it in paying big interest of marginal speculation beyond the capital of the speculator, but much of it goes to the "professional" or to the "insider." The former is the man who makes speculation his life-long business, judging of conditions, when it is a good time to buy and when to sell. He accepts the machinery of speculation as it exists and profits by the incapacity of the ignorant and casual speculator, much the same as a shrewd business captain bests a small competitor in a hard bargain.

But frequently in the stock market history has shown that the "ticker" told in advance the story of some important development in the finances of a corporation. For weeks, perhaps, a stock has advanced in price with much mystery; and then suddenly the directors of the company announce an extra or an increased dividend, the issue of new stock at cheap price, or the like. It is the infallible inference that some one in authority has "leaked." Contrariwise, it may be that the price of the stock has declined, and then the news comes out that dividends have been "passed," or stopped, or that the company confronts bankruptcy or some similar calamity. Examples of this sort of business are numerous, and the writer might detail in great length the rise and fall of certain stocks where the "tale of the ticker" showed plainly that some one knew far in advance what would be the financial policy of a corporation and profited thereby before the stockholders, who had all moral and legal right for as speedy knowledge of such developments as any one, received official notice of such developments.

It has been asked pertinently, How can a director morally, acting as a director, buy or sell the stock of his own corporation for speculative profit? Suppose he acts with foreknowledge of pending important developments and buys stock in the company. In reality by thus doing he uses his "inside" information to buy of a stockholder for whom he is trustee. If the stockholder who trusts in him had known what he knew, the stock would not have

been sold to the director. Whatever profit the director makes on such a transaction virtually belonged to the former stockholder—was made in fact at the expense of the man for whom the director had sworn to act as trustee in faith and good practice. If, on the other hand, the director, knowing of some bad development, sells his stock out without making public this situation, he becomes a trustee for a man whom he has defrauded simultaneously with the act of becoming trustee. This leads to the inevitable conclusion that good morals cannot permit a man to speculate in the stock of the company of which he is director. If this reasoning is carried a step further, it will be seen that a director has not the right secretly to communicate “inside” information to others who can use the pending developments for speculative purposes. For, whether the speculation be to buy or to sell the stock of a company, the action of the director results in a breach of trust which he has promised to hold inviolate. And yet the writer is personally informed almost daily of developments that will transpire to the good or to the detriment of stock values and prices long in advance of the casual stockholder.

Obviously here is one common cause for revolt against Wall Street’s slack morals and against such methods of juggling with the people’s savings. As Thomas F. Woodlock, an authority on Wall Street affairs, has said in referring to this action by speculative directors: “The advantage is not theirs to use or to give away at their good pleasure. The use for personal profit of advantages arising from holding of public or fiduciary office or power is the essence of all ‘graft,’ whether it be politics or whether it be plain business. Take the case, for example, of individual directors of a bank or a trust company or an insurance company who make a profit from underwriting syndicates, it being understood that the bank or trust company or insurance company is to purchase some of the securities thus underwritten. There is only one word that characterizes the transaction, and that is plain ‘graft.’ It makes no difference whether the securities ultimately purchased by the company, bank, trust or insurance, are purchased at a fair price or not; the individual director is not morally competent to make such profits and such profits morally belong to the company because they attach to the official position and not to the individual. If this reasoning is correct, and I see no escape from the conclusion, it is evident that in the broad sense of the word, ‘insiders’ are not morally competent to speculate in securities in Wall Street for their own individual profit. By reducing the fiduciary relationship represented by an ‘insider’ to its simplest form of trusteeship, namely, that of one individual to another, the case is evident. Thus, the moral competence of a large section of the Wall Street

community to speculate in securities for individual profit is very decidedly restricted, to the extent that the Wall Street community occupies a fiduciary position in relation with the public. What is the practice of Wall Street in this respect?

"I dislike to bring a general indictment against a person or a community, but the plain fact is that in Wall Street speculation by 'insiders' for their own exclusive personal profit is the rule. The proverb that 'the tape tells the story' has quite common use because of the generality of the practice. My observation compels me to the conclusion that the 'insider' who does not use his official position for his personal profit by means of speculation is extremely rare. Furthermore the Wall Street community cynically expects him to do so, and in no way blames him when he does it. I fear no contradiction on this point from any one possessing even a limited experience in the street. Thus as regards the first of the principles governing the case we are compelled to the conclusion that, so far as the speculative public is concerned, a very large proportion of people who speculate are morally incompetent to do so, because they risk money that they cannot afford to lose, and so far as the Wall Street community in particular is concerned a large part of the speculation is conducted by people who have no moral right to do so, because they are aiming to derive personal profit from fiduciary relations. I do not want to say that the majority of speculative transactions are made by people who are morally incompetent to make them, but it is very evident that a large part of them are so made."

CHAPTER XVIII

LYING TO MAKE MONEY—HOW WALL STREET THRIVES ON FALSE RUMORS.

"Fake" Quotations—Gambling on Rain or Sunshine—Government Weather Reports Eagerly Sought and Often Perverted—How Fortunes are Made and Lost on Rumors and Canards.

WALL STREET has been busy these many years trying to live down a bad reputation. Competent judges say that in this great money-center of America the old proverb "Honesty is the best policy" is the rule of conduct. Nevertheless there is an element in Wall street that makes it pay to lie. This element is made up of such speculators or big moneyed men who circulate rumors for the effect it will have on the prices on the stock exchanges of the country.

To the uninitiated in the matter of this feverish business of hazarding wealth in order to gain quick though doubtful profits it should be explained that the rumor or canard often plays an important part in speculation, or rather in that phase of speculation which most nearly resembles gambling. When prices of securities are moving rapidly up or down on the stock exchange, every speculator, or investor for that matter, wishes to know the cause. To the investor who owns stocks or bonds that are appreciating in price this information may be of the greatest value. For if the higher price, for instance, is based on the knowledge or belief of other investors that the property represented by the security is increasing in value, presumably the holder of the stocks would desire to retain his holdings in order to participate in the better earnings to be distributed in dividends. On the other hand, if there were no special reason why the stocks should be advancing save because of the manipulation of speculators, the investor might desire to sell out at this better figure.

In like manner, the speculator desires to know the cause of price fluctuations, for it may mean an opportunity to risk his wealth in an enterprise that promises to earn him new wealth. And the gambler desires to know what is going on in order to bet on the probable winning side.

Since explanations of "booms" and "flurries" must be found to appease the appetites of those of Wall Street, rumors of some sort generally accompany such movements in stocks. Some times they come to notice after a movement in prices has already started: sometimes they precede the movement and cause it, and sometimes they both follow and accentuate the price changes. It is safe to say that 99 out of every 100 rumors are the purest fiction.

However absurd a rumor may be, if it is circulated extensively enough it always has some effect upon the market. The writer recalls an incident in the stock market panic of the summer of 1903. Wall Street was experiencing a money pinch and feared hard times. Too many banks and trust companies had invested the people's savings in the stocks and bonds of heavily "watered" corporations and hence were in a precarious condition. In the midst of a panic one day several banking concerns of Baltimore suspended business. Then, presumably to add to the slaughter, some "bear" who wanted to see stocks go down still further, started the report that the Northern Trust Company of Baltimore had failed. This, on top of the other failures, suggested to Wall street speculators that affairs in the Maryland city were in a frightful pass. By the time the writer telegraphed to Baltimore for particulars and learned there was no such bank in that city and that the report was a lie, the damage had already been done and stocks had been lowered to the satisfaction of the "bears."

Usually it is easy to trace a rumor that has been started for a purpose. Sometimes the source of such a rumor is not located, but generally the falsity of a rumor is made apparent very quickly.

Probably most lies start from "pools" which are operating in the market to raise or lower prices artificially. When this is the case the lie is a lie morally but often is carried without being a lie other than in action. For instance, such a "pool" or syndicate must employ many brokers to carry out its orders on the exchanges. When the manager of such a "pool" gives his orders to a broker it is very easy to make a significant but somewhat ambiguous remark. The broker repeats the remark, generally expanding it, to some other broker or customer. With this start the rumor may gain rapid headway. This entices speculators in the stock, generally to buy it in hopes that it will advance rapidly. Before the rumor has got well under way the "pool" has begun operations in the stock and this attracts market attention. This prepares the public mind to accept any rumor that comes along. In nine cases out of ten a good deal of buying is attracted by the rumor and

when this is accomplished the "pool" has sold some of its stock, probably at a good profit.

The strange thing about rumors and canards is that very few members of the stock exchanges believe them when they hear them. Yet they frequently speculate on their influence because such "tips" frequently have their desired effect.

The author quoted in the foregoing chapter on the morality in Wall Street says falsehoods are either deliberate or suggested or are of the truth suppressed. "(a) In the matter of *suggestio falsi* the commonest form is that of the plain lie, as where some one desiring to sell stocks starts a rumor that a dividend is to be increased or a deal of some kind made whereby the value of a stock will be materially enhanced, thus inducing others to buy the stock that he wants to sell: or conversely where some one desiring to buy the stock starts a rumor of receivership or reduced dividends, thus inducing others to sell the stock he wants to buy. This is the simplest and grossest form of deception, and descending from it in the scale of deception may take innumerable forms, all designed to play upon the speculative spirit of others, inducing them to buy or sell as may be desired. There is, for example, the practice of 'washing sales' by means of 'matched orders,' the object of which is to create a general impression that a genuine market exists, and that the prices recorded are genuine prices reflecting real and bona fide transactions. A 'wash sale' is a transaction in which one person will arrange with another to buy from him securities at a certain price, thus establishing a 'quotation,' although buyer and seller are one and the same person.

"The Stock Exchange rigidly prohibits such transactions in that it will not allow its members to make them knowingly. It will not allow A to pre-arrange with B to buy from him or sell to him the securities which he openly offers or bids for on the floor of the Stock Exchange. It forbids these transactions because the resulting quotation is, in common parlance, a 'fake quotation,' the ultimate object of making which is to deceive some one else into buying or selling the security. Unfortunately the regulation against 'wash sales' cannot possibly and in practice does not prevent, for instance, C from giving to A orders to sell and B orders to buy an equal quantity, neither A nor B being aware of the other's orders. A goes on the floor and in good faith fills his order, B in equal good faith selling the stock to him, and C thus accomplishing his object—namely, making a 'fake quotation' with intent to deceive some one else. The Stock Exchange cannot stop this kind of thing, because it cannot discover where it is done. This latter operation is sometimes called 'manipula-

tion,' and to the extent that deception is intended and practiced it is morally indefensible. For unless we are to hold that the 'end justifies the means,' a maxim most correctly reprobated in theory, but somewhat widely practiced, we must hold that direct deception of any kind by the suggestion of that which is false can never be right under any circumstances.

"Without further multiplying instances we may ask how does Wall Street stand on this matter? To what extent is the lie in its various forms a part of its daily activities? To what extent are its quotations manipulated with intent to deceive? As everybody knows, Wall Street is the land of rumor. To what extent is it guilty in a moral sense?

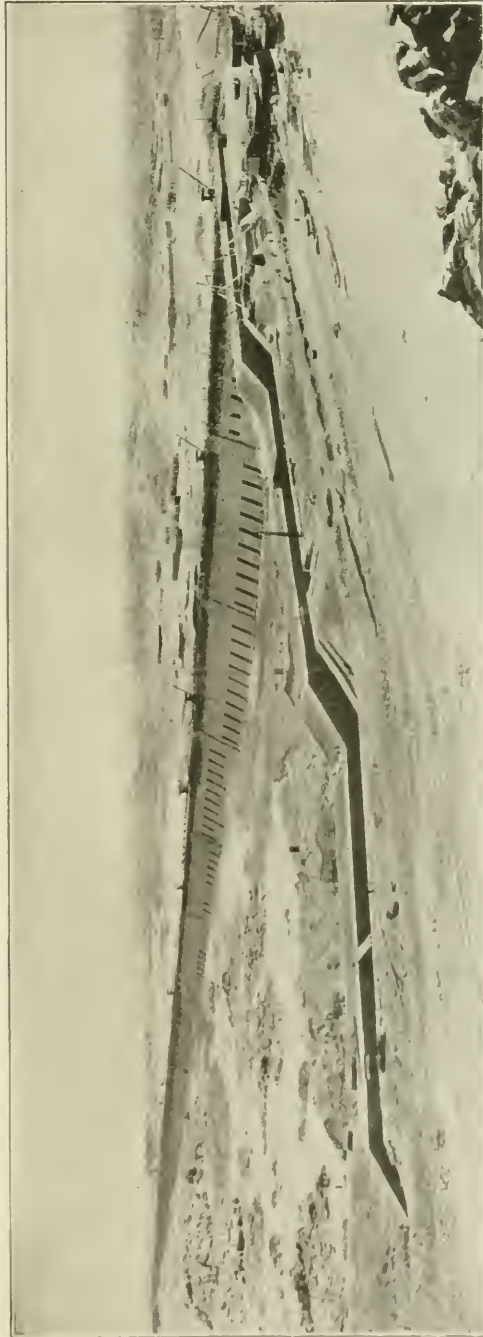
"There is manipulation, manipulation with intent to deceive, and plenty of it. Still on the whole, I think I am strictly fair in saying that everything considered Wall Street is not nearly so black as it is painted in this respect. To begin with, it is difficult for people who have not direct experience of the Wall Street community to realize to what extent the seething mass of rumors which constantly fill the street is the result of a kind of spontaneous generation. In Wall Street the speculative imagination is apt to run riot on very little provocation and to generate stories from the most elementary of materials. The 'guess' of one man expressed to a second becomes the 'believe' of the second expressed to a third, and when the third man comes to pass the story along it becomes the 'I know,' and none of the three really intends to deceive. After a good many years of experience as a newspaper man in Wall Street I am convinced that the large majority of the rumors which get into circulation in speculative circles are born out of pure conjecture rather than a deliberate attempt at fraud. Unfortunately this is not always true. The kind of yarns that will be put into circulation by people conducting speculative pool operations and put into circulation by a complaisant and more or less corrupt 'court circular' press are plain lies and constitute the kind of deception or fraud that morally vitiates a contract. While there is nowhere like the amount of this sort of thing done in the press of today that was done in the press of twenty years ago, there is still far too much:—but let us look at the other side of the case.

"The principle of publicity has made enormous strides in Wall Street in the last few years. Publicity is fatal to deception as sunlight is fatal to germs of disease. In my relatively short experience I have witnessed a wonderful growth in Wall Street of a spirit of frankness, on the part of those who make the news, towards the public in general. Not only is this the case in the matter of telling the truth, but it is the case in the matter of telling plenty of the

truth. I am proud to say that nowadays I find it safe in Wall Street to go on the principle that men in their direct statements tell the truth. I find it safe in my work as a newspaper man to believe the greater part of what I am directly told by people in official positions. It is true that the 'official denial' is still with us. I am going to that in a moment. Nevertheless, speaking from my own experience in Wall Street, I have no hesitation in saying, first, that men as a rule speak the truth in Wall Street in speaking of that which they know, and second, that there is wider dissemination of essential truth in Wall Street and a better general understanding of that truth, so far as facts and figures bearing upon securities are concerned, than there is in other commercial and industrial communities with respect to their characteristic products that are bought and sold.

"(b) As to the *suppressio veri* form of deception we understand it to mean concealment by one party to a contract of something vital concerning the matter of the contract which the other party has a right to know. Of course, the principle of publicity is directly opposed to this form of fraud. Twenty years ago concealment of essential facts was a common form of deception for speculative profit, or at all events very much more common than it now is. As I have already pointed out, corporation officials in recent years have come to recognize the legitimacy of the public's demand for information with respect to corporate affairs and have freely complied with it. As a result, it is as a rule relatively easy to ascertain the truth respecting financial developments in Wall Street except important negotiations actually pending which would be rendered futile by general knowledge of what was in progress. It is in such cases that the 'official denial' is mainly to be met with today. The phrase 'official denial' has come to be something of a proverb in Wall Street owing to the fact that its use is practiced in an emergency. Many people consider it to be justifiable. Within a few weeks a leading banker admitted to me, on my putting the question to him plumply, that if it were necessary to prevent me from obtaining information which would prejudice an important operation which he had in hand, he would officially deny something that was true. His excuse was that it was not fair that anyone should be placed in a position where he was compelled either to affirm or deny something presented to him in the form of a question. The argument was that as a result of modern newspaper enterprise, which has deprived people of their just privacy, refusal either to affirm or deny has come to be regarded as equivalent to a confirmation of the report in question. Consequently, from his point of view, there would be nothing for it but to deny at the expense of truth.

"Of course, there can be no moral justification for the 'official denial' in such a case, but there may be some excuse or at least there may be extenuating circumstances, and in practice I can testify that the cases of false 'official denials' are rarer than they were and such cases as are met grow out of what may fairly be called an emergency. I claim, therefore, that on the whole in the matter of the three principles governing speculative contracts Wall Street's standard of morality is a good deal better than it was and is a good deal better than many people suppose it to be and that it is improving all the time. I wish to insist somewhat strongly on this point, because while Wall Street has many sins of its own to answer for, it is not nearly so guilty on this score as the jury of the public believes it to be."



THE NILE IRRIGATION WORKS—THE GREAT DAM AT ASSUAN.

For hundreds of years canals have been built to facilitate trade within the interior countries, and to connect river systems. The same spirit of energy that once excited itself in this direction, has turned to greater works—that of irrigation. In our own country, lands that were arid now produce bountiful and profitable crops through the system of irrigation. Our photograph shows the dams on the Nile river in Africa, by which thousands upon thousands of acres of heretofore valueless land will be irrigated and thus produce profitable crops. It is proclaimed by experts that it is the greatest engineering feat ever performed by man. It is also claimed that the completion of this dam fulfills the Bible prophecy found in Isaiah, Chapter XL, Verse 15.



JAMES B. FORGAN,

President of the First National Bank, Chicago,
and a director of the Equitable Life
Assurance Society.



MARSHALL FIELD,

The Famous Merchant and Financier.



JOHN M. HALL,

A prominent New England railroad magnate.



PAUL MORTON,

Secretary of the United States Navy Depart-
ment; formerly of the A. T. &
S. Fe Railroad.

CHAPTER XIX

WHAT'S WHAT IN BUSINESS.

A New Business Dictionary—The "Lingo" of Wall Street—A Comprehensive Explanation of All Technical Words and Phrases Used in the World of Finance and Speculation.

What is a trust?

The popular conception of a trust is a corporation or combination so large that it is powerful enough to compete successfully in its chosen field. Mere bigness, however, is not a trust in the proper sense of the word, even though this use is general both in every-day speech and in much that is written about such combinations. The best definition given, that acknowledged by Standard Oil, embraces "the intent, power or tendency to monopolize business, to restrain or interfere with competitive trade, or to fix, influence or increase the price of commodities."

What is monopoly?

Monopoly briefly is the absorption or control of the source of supply. In its strictest sense it is a grant from a government of an exclusive right to carry on a business or traffic. In the modern sense monopoly suggests the control of such a preponderating proportion of a market for any commodity or service that the price therefor can be fixed arbitrarily and regardless of a level that could be maintained by free competition.

How many kinds of monopolies are there?

Three: (1) Natural, based on the control of some element of nature through the ownership of land, such as coal, water, gold, lumber, etc., or the exclusive right to natural facilities for transportation, such as a toll road, railroad, water-way, etc. (2) Legal, an exclusive government grant to do business, to control traffic, etc. (3) Capitalistic monopolies (trusts), which hold prices at arbitrary figures, or have the power so to do, through enormous capital, thus giving an advantage to an established plant over any new or prospective competitor.

What is a corporation?

A body authorized by law to transact business as an individual and having perpetual existence. The legal conception of a corporation is that, as a

ship remains the same ship although all its parts gradually be renewed by successive repairs, or as the human body remains the same body though it goes through frequent physical changes, so a separate legal body may remain the same body in spite of changes in its composition.

What are essential to a corporation?

- (1) Natural persons who are the incorporators.
- (2) Directors or trustees who have control of its affairs.
- (3) The corporation or artificial person created by law.

Has a corporation citizenship?

To the extent that it may sue or be sued in the federal courts and in a proper case remove its case from a state to the United States court. Otherwise the United States law does not deem a corporation a citizen of a state and it follows that a state may impose any terms on a foreign corporation as a condition of doing business within a state. This condition, however, must not interfere with interstate commerce or rights under the constitution.

What is stock?

The rights or interests of members of a corporation in its assets, legal privileges, managements and profits.

What is capital stock?

The amount fixed by law to be paid into the treasury of the corporation for use in its business operations.

What are shares?

The division of the total capital stock of a corporation, represented by certificates which are distributed to members of the corporation according to the amount of their subscriptions.

How are shares of stock divided?

In any amounts desired, the par value or full paid amount, being fixed by dividing the number of shares to be issued into the total amount of the capital stock, usually par value is \$100, but shares for other sums, as small as \$1 and in some cases even less, are issued.

Must stock be issued at its par value?

Not always, though many states make this the law.

What is treasury stock?

Shares not sold to subscribers, but held in the treasury of the corporation to be realized upon when necessary to raise funds.

What is preferred stock?

That class of stock which by law has preference in receiving dividends.

Generally the amount to be paid in dividends on preferred stock is fixed at a certain figure. After that amount has been paid other earnings must go to the common stock.

What is common stock?

That class of capital stock which is not preferred stock.

What are dividends?

The profits of the business of a corporation divided among its stockholders.

What is "cumulative" stock?

That class of stock, generally preferred, on which dividends accumulate perpetually, which charges, in the event of any postponement of payment, must be made up later, before profits can be paid on the common stock. "Non-cumulative" preferred stock does not accumulate this debt. Example: If an 8 per cent cumulative preferred stock does not earn enough to pay more than 4 per cent in a given year, the deficiency of 4 per cent must be made up later. Some corporations have owed as high as 40 or 50 per cent back dividends which had to be paid before the common stock could receive profits.

Can shares of stock be transferred?

Yes, upon proper endorsement; and a great business of selling stocks is done on the stock exchanges.

How are dividends paid?

The name of each person to whom stock is issued is recorded on the books of the company. Such a record owner of stock is termed a shareholder or stockholder. Dividends are paid to the owner on record. It may be, and often does happen, that dividends are paid to a record stockholder when some one else actually has the certificate of stock in his possession. This may be due to the loss of the certificate or to the sale of the stock after the dividend is due but not paid.

What are securities?

Generally speaking negotiable instruments or property making secure the enjoyment or enforcement of certain rights. Under this definition comes notes, checks, stocks, bonds, mortgages.

What are bonds?

Bonds are a special form of contract under which an obligation is made, generally to pay a certain sum of money under specified conditions. The most common form of bond is a promise to pay borrowed money under the security of a mortgage upon certain property.

What are the different kinds of bonds?

(1) Government. (In the United States, federal, municipal, state, county, school, water, council, etc.)

(2) Corporation bonds, which are generally secured by a mortgage on the property of the corporation, under which the bondholders may fore-close upon default of payment of principal or interest to satisfy their claims.

What are some of the classes of bonds?

There are all sorts of bonds and the different classes are so mixed and complicated as to be bewildering. Some of the principal kinds are: (1) First mortgage bonds, which have first lien on the property of the corporation in the event of default; (2) Second mortgage, which rank after first mortgage; (3) Collateral trust, which are secured generally by the deposit of stock of another corporation; (4) Income bonds, which simply are a sort of extra preferred stock, being entitled to interest or other payments if earned only after preceding bonds are satisfied; (5) Prior lien bonds, which as the name suggests are placed ahead in the matter of preference of some other definite issue; (6) Convertible bonds, generally a first mortgage bond which has the privilege of conversion into stock of the company at a certain price; (7) Underlying bonds, which are generally first mortgages against the property of a company which in turn, through being the property of another company, has its bonds guaranteed by the parent corporation; (8) Debentures which are of various sorts below a first or second mortgage bond. Many other kinds of bonds have special titles because of some peculiar sort of security back of them.

What is the distinction between stocks and bonds?

Stocks represent ownership of the corporation; bonds represent a debt against the company. Stockholders manage the company, vote to elect officers, etc., and divide the earnings. Bondholders have lent the corporation money and have taken a mortgage against its property, which if not paid, or the interest thereon, will go to satisfy claims of the bondholders.

What is interest?

The value given in return for the use of other value, generally a stipulated percentage in money on money lent out.

What is a mortgage?

An instrument which provides for legal measures by which property may be sold to satisfy the contract under which the mortgage was given and which the property in question was to secure.

What is foreclosure?

The process by which property under mortgage is seized and sold in order to raise funds to pay a contracted debt or forfeit. •

What forms are bonds issued in?

Usually in amounts of \$1,000 each, although they are sometimes issued as low as \$100 or \$500.

What are registered bonds?

Those whose interest is payable only to bondholders on record on the books of the corporation.

What are coupon bonds?

Those bonds which are made out with small tickets or coupons attached and whose interest is payable to the bearer who presents these coupons. From this has arisen the phrase "coupon cutting," suggesting riches by reason of clipping off the coupons to present for payment when due. These may be payable at a bank or at the office of the corporation.

What security is back of government bonds?

Often none, but the confidence of the people, for a state or the federal government cannot be sued. Several states have defaulted on bonds. In minor subdivisions, such as cities, school boards, etc., the credit of the issuing body is preserved by limiting the amount of bonds to be issued under law according to the amount of taxes collected.

What is a stock exchange?

A market place where investments are bought and sold. In Vienna and Berlin such a market is called a boerse; in Paris, St. Petersburg and numerous other foreign cities a bourse.

How are investments bought and sold on the stock exchange?

By the transfer of the certificates of stocks or bonds for a consideration from a stockholder or bondholder to a purchaser, who then becomes the stockholder or bondholder. Only members of the stock exchanges, which are private corporations generally, have the right to do business on the exchanges. Their business is generally that of agents to buy or sell investment certificates for customers. For this they charge a commission—generally one-eighth of one per cent for each transaction.

What is a broker?

In this country a broker is any one who transacts business for another for "brokerage" or commission; but generally speaking it pertains to mem-

bers of boards of trade or stock exchanges, who do business on such boards or exchanges for the public.

What is a board of trade?

A board of trade is very much like a stock exchange; a private corporation of limited membership which constitutes a market place for the selling of many commodities, generally produce, such as grain, hay, cotton, hog products, coffee, butter, eggs, etc.

What is speculation?

In its broadest sense speculation is the taking of any risk in business in the belief that embracing a certain opportunity will return good profits. A man who buys up a large tract of timber land, believing that in a number of years lumber will be scarce and that he can cut his timber to a good advantage, is a speculator. The same is true of a man who, knowing that a railway will come through a certain section of the country, buys up a tract of land in the belief that when the railway has been built it will enhance the value of the ground he has purchased. Generally, however, the public when it speaks of speculation refers to buying or selling of stocks or bonds or grain, provisions, etc., in the hope that changes in prices will bring profit. In this kind of speculation the stock exchanges and boards of trade lend themselves most freely because of their highly organized machinery for trade.

What are futures?

Futures are contracts of any description, but generally those on the boards and exchanges, which call for the sale or delivery of certain described property at a given time, place and price in the future.

What are margins?

Margins in the technical sense are deposits of money or securities of wealth which are part purchase money of a contract on an exchange or board transaction and which are guaranty of good faith in the transaction. Generally, though not always, a margin is from 5 to 10 per cent of the amount of the consideration in the contract. Property purchased on margin must be paid for by some one acting as broker or agent; in that case the difference between the amount of margin and the purchase or sale price is practically a mortgage on the property bought or sold. If the property changes in price enough to threaten the safety of the money the broker has advanced, he calls for further margins from the customer. In the event of default or refusal to pay, the broker completes the original transaction by

selling or buying the property in order to reimburse himself. If there is any balance left in margins, that goes back to the customer, just the same as in the foreclosure of a mortgage. If there is a deficit the customer is legally liable, though often it cannot be collected.

How can a speculator sell something he does not own?

Any person can make a contract to do a certain thing at a future time, such as to deliver steel rails to build a railroad, brick to build a house, coal to burn next winter, etc. So may one contract to deliver thousands of bushels of wheat next year. Warehouses are full of grain and the contractor for future delivery knows he can buy warehouse receipts for grain thus stored at any time by paying the current market price. Hence he may make a contract to deliver wheat, corn, oats, cotton, coffee, pig iron, steel, or stock or bonds, though he does not own any, for, provided he does not have the commodity he sells when the contract falls due, he can purchase the where-withal to fulfill his contract in the open market at that time.

Why are transactions of this sort made?

Largely for speculation, but also largely to insure the contractor against loss. Example: If a farmer is raising a crop of wheat and he has reason to believe he will have a big crop (which ordinarily will bring low prices) and current prices for contracts due at the time when his crop can be harvested are high, he wants to sell at a good advantage. Therefore he makes a contract for future delivery. If his crop matures he delivers the wheat and secures his price. If it fails, he has to buy from those who have wheat, enough to fulfill his contract.

What is a bull?

In speculative terms a "bull" is one who believes conditions in the market of any commodity or security warrant higher prices. If he is active in the market his efforts are to advance prices, so that later he may sell his holdings or contracts at a profit.

What is a bear?

A "bear" in a speculative sense is the term applied to a speculator who believes conditions warrant falling prices. Therefore he speculates to depress prices in order to secure profits by selling something he does not possess with the expectation of being able to buy in the open market at low prices the commodity with which to fill his future contract sold at a higher level.

What is a corner?

In a suppositions case a "corner" is the state of a market when a speculative

party has bought up contracts for delivery of the entire visible supply of a commodity, or has all the actual supply of the commodity in its possession. Actually, there are few "corners" save in property that is very limited in extent. The purpose of a "corner" in speculation is to acquire this control of certain property and create a demand in excess of this supply; then the price of the amount controlled can be raised to an arbitrary and even highly fictitious level, at which the speculators sell to the consumers. In creating such a condition speculators generally rely upon other speculators making contracts to deliver something they do not possess, and then force such a seller to settle his contract at high prices or be in default. "Corners" are the dread of exchanges and boards of trade and such a violent dislike to such speculative tactics has arisen that frequently such deals are taken to court rather than to submit to money bleeding.

What is long?

When a speculator is "long" of stocks or grains or the like he has made a purchasing contract and is the legal owner of such property. Generally this term is used to indicate purchases on marginal accounts and not property owned outright on which there is no obligation outstanding.

What is short?

To be "short" of stocks or grain or other speculative property indicates that the speculator in question has made a contract to deliver the property at a certain date when he does not possess such property. In other words he has sold something which he has not.

What is covering?

A speculator "covers" when he buys in the property with which he fulfills a "short" contract.

What is liquidation?

Liquidation is turning property into liquid or cash assets: the closing up of a business deal. When liquidation is said to be in process in a speculative market "longs" are selling out their property. "Realizing" is another term that means the same thing, though "realizing" generally suggests simply selling out something in which the speculator has made a good profit which he is willing to take, and "liquidation" suggests selling under necessity to prevent loss, or the like.

What is stop loss?

When a broker is transacting speculative business for a customer on marginal account and margins are running out—that is the market price is going contrary to the speculative contract and a loss seems imminent—more margins

may be called for. If the further margins are not forthcoming, the broker is empowered to close out the contract in the market at the best advantage possible. Generally such an order placed in the market is called a "stop" order—that is, it is intended to prevent any further loss. A "stop loss" order, however, may be put in by the speculator himself to save himself against loss beyond a certain point. A "stop" order even may be put in the market when there is a good profit in a transaction, so that if the price begins to go contrary to the deal all the profits will not be wiped out. In "stop" orders a specific price is named at which to "stop" the deal, but if the price continues to go against the deal before all the order is closed out the customer must stand the loss. In a bad market it is not uncommon to see price of a stock fall \$10 a share when the stock is being sold on a "stop loss" order.

What is a pool?

A pool is an association of men or corporations, bound by some understanding or agreement, to act in concert in a business enterprise generally for the sake of profits, which usually are divided proportionately among them. In railway traffic a pool is a number of companies which may agree to maintain certain freight rates in a given territory, each road to share a certain amount of the returns. In iron and steel products there are pools which agree to maintain prices at a given level; sometimes they agree as to the amount of tonnage each member of the pool is to receive. In speculation a pool is made up of a number of speculators, banks perhaps included, which may buy, say, a given amount of stock of a corporation for the purpose of advancing the price, by manipulation or otherwise, and afterwards sell out and divide the profits.

What is a syndicate?

A syndicate in the speculative sense is a little different from a pool. Usually it indicates great importance and magnitude. The term is most frequently used in connection with underwriting the securities of a company. The purpose of such a syndicate or pool is to agree to underwrite the securities at a given price and to sell them to the public. Such a syndicate usually gets all the stocks or bonds of the corporation that are to be sold and in a way is the company's official representative.

What is underwriting?

When a corporation needs to raise money it usually does so by selling stocks or bonds. Bankers and brokers who are in the business of marketing securities can sell these stocks or bonds to the best advantage. Therefore the corporation agrees to turn over to a syndicate the securities to be sold at a certain price.

This is called underwriting. The syndicate sometimes is made up of many members who agree to turn over to the corporation certain amounts of cash for the stocks or bonds as called upon to do so by the corporation. Then the syndicate, which is managed by some big bond, stock or banking house, markets the securities and divides the profits, or if the venture is unprofitable, divides the loss.

What is an assessment?

When a syndicate or company needs funds which it has a right to call from members or stockholders, such a call for money is termed an assessment.

What is a company reorganization?

Frequently corporations find themselves in danger of bankruptcy because earnings are not great enough to pay such expenses as interest on the bonded indebtedness, or the like. When this is the case there is usually some attempt at preventing bankruptcy. The first thing needed is money to place in the treasury of the company. If the prospects of the company would be improved enough more by advancing such cash to tempt financiers to supply the needed funds a reorganization of the company's finances is usually undertaken. Often this process includes reducing the capital stock of the company already existing, or perhaps wiping it out altogether. Then certain securities may be issued to those men who will advance money to keep the corporation in working order. Such a reduction of stock or bonds usually is called "scaling down" and the money if raised by order of, say a majority of the stockholders, is found by "assessing" the stock.

What is a merger?

A merger in the present-day sense of the word is the joining of two or more companies, or business concerns, to do business under one head. Usually this is applied to the junction of corporations.

What is a holding company?

When government regulation declared against pools or agreements between certain concerns in the same industry working "in restraint of trade"—in short, ruled against trusts—corporation lawyers discovered a method of bringing these concerns together legally by incorporating a company which should buy up at least a majority of the stocks of the corporations which desired to work together. This is called a holding corporation. Its business is to collect the profits from the earnings of the other corporations it owns through dividend payments and to pay dividends from funds thus collected out to its own stockholders. The other companies are called "underlying" corporations. They are

supposed to manage their own business, but the managers of the holding company really exert a great influence on this business, because, being in control, they can appoint managers to do their bidding. Legally an "underlying" company is separate from the holding company.

What is a gentleman's agreement?

A compact between railway managers or similar corporation chiefs not to cut rates or to carry on wasteful competition.

What is a community of interest?

The method of harmonizing competing interests, especially in railway business, whereby perhaps directors of several concerns will join the directory of one common company and through that company carry out agreements to prevent serious competition. The Union Pacific railway company has been a remarkable example of such an alliance: at one time Harriman, Rockefeller, Gould and Vanderbilt interests were represented on this board. One method of carrying out practical communities of interests is an exchange of dividends, which makes all parties conserve the common interest of the community.

What is a lamb?

In the vernacular of speculators, a lamb is one who ventures to speculate for the first time or who is possessed of so little information that he is likely to become victimized by unscrupulous men. A lamb is "sheared" when he loses his money.

What is kite-flying?

Extending one's credit in business to a very dangerous point. This often suggests illegal measures, such as issuing fictitious checks or the like.

What is a blind pool?

In speculative terms, this is a pool, all the members of which are ignorant of its operations, except the pool manager.

What are privileges?

Options bought or sold in speculative markets requiring or granting the privilege of accepting or delivering a certain commodity within a given period at a stipulated price.

What is a put?

A privilege to deliver on a contract within a certain period at a given price. For instance: if a speculator has bought a "put" for 100 shares of United States Steel preferred at par good for thirty days, he has an option to deliver these shares at \$100 each any time before the thirty days expire. If the price of Steel preferred falls to 95 while he has such a privilege he can

make the profit between these prices. Often one who has either an investment or a speculation on the buying side of the stock market will buy "puts" at a nominal expense in order to protect himself against a falling in prices. The seller of a "put" on a stock or other speculative commodity evidently believes in the value of the commodity at the price at which it may be "put" to him.

What is a call?

A call is almost the reverse of a put. That is, the buyer of a call has the privilege of calling upon the seller to deliver the commodity stipulated within the given time and at the price agreed upon. In this case, if the market price has advanced, the holder of a call is privileged to demand delivery of the commodity at the lower price and of course he could sell it at once at a profit in the open market.

What is a spread?

This sort of privilege is an option by which the holder either can call in the stocks, grain or the like at one figure or put it out at another. All these forms of contracts mentioned as privileges are virtual bets on the market price, but they also serve as a sort of insurance against losses in heavy obligations by the man who is in the market all the time. The seller of privileges makes his profits when the market fails to move against the privileges he has put out.

What is a capitalist?

In the narrowest sense, a capitalist is one who deals in cash or investments of a character that suggests the man has retired from business. More broadly speaking, he is the one who furnishes the means—such as working capital, tools, fixed capital or machinery, etc.—which when used by labor produces any wealth.

What is labor?

This term in its narrowest sense means the output of physical effort to produce something. In a broader sense, however, labor is the expenditure of any sort of energy to produce something. This may be physical or mental or both. In present day discussion of labor and capital there is frequent reference to the managing director. This is the representative generally of the capitalist who has his money invested in an enterprise. He also is a laborer in the sense that he is the active head or leading executive who guides the workmen in their efforts for production. Often the managing director is interested financially in the business. He may even be the capitalist and head workman combined.

What is manipulation?

Generally this is a speculative term meaning artificially changing the prices of stocks, grains or other commodities for the purpose of attracting other speculators to speculate on what appears to be developing in the market, but which generally is otherwise. Methods of manipulation are various. A "rigged" market suggests manipulation so flagrant that any one can readily discern it. "Washed sales" are fictitious sales made between the principal and his broker, or brokers, for the purpose of establishing a false but official price. A "matched order" is a similar device of manipulation where an order to buy a certain commodity is put in at the same time that an order is put in to sell by the same person.

What is a bucket-shop?

A bucket-shop is an establishment got up to imitate a reputable broker's office. All the devices and machinery of regular investment or speculation seem to be present, but in reality the bucket-shop is got up solely to gamble with. The keeper of the place almost never is a member of the established exchanges. The salient feature of bucket-shop methods is that when an order is put in such a place to buy or to sell something the order is never executed. If the trade is profitable for the customer the bucket-shop itself pays the loss until the loss becomes large; then the concern goes into bankruptcy. If, on the other hand, the imitation market transaction is a losing one for the customer of such a dive, the bucket-shop keeper rakes in the profits. One of the features which attracts people to these gambling places is the fact that this so-called "speculation" can be done in very small amounts. But this feature is one which reaps golden harvests for the crook. For small deposits of cash mean small margins. If small margins are put up they will be the more readily wiped out by the most trifling fluctuation in prices. When there is an active advancing market in stocks many ignorant or innocent people flock to these bucket-shops. Oddly enough, it is in such a time that many bucket-shops fail, for the reason that the public always prefers to buy rather than to sell in speculation, and if the public strikes the bull movements in the market correctly the bucket-shop must suspend to save itself.

What is a partnership?

That relation resulting from an agreement between two or more competent persons to join forces of capital, ability, or labor, or all, in some enterprise and to divide the profits. This is the same thing as a copartnership. Sometimes the partners are referred to as the "firm" or the "house."

What is a limited partnership?

A special sort of agreement under special laws of certain states whereby, for reason of the investment of a less sum than general partners, the special or limited partner is liable only for a stipulated amount of debts; whereas in a general partnership each member of the firm is liable for all the debts.

What are the liabilities of a corporation?

Under the common law the members of a private corporation were not liable for corporate debts or obligations. In case of bankruptcy they would lose all their investment in the stock. This holds generally true now, save where special charters are granted which make stockholders individually liable for all debts of the corporation. Usually, however, the stockholder is liable simply for an amount equal to his stock. This particularly is true of national banks, where if a stockholder owns \$1,000 worth of stock and the bank fails, the stockholder is liable to the extent of another \$1,000.

What is the curb?

This is a term used to indicate a place where speculative trading is done other than on a regular exchange or board of trade. Apparently the term arose through the making of transactions on the street curb near the exchange. In New York the curb market is actually in the middle of Broad Street, where, rain or shine, brokers fill orders without cover. In Chicago the curb is any place off the exchanges where bona fide transactions are made.

What were the first banks?

The first banking institution of modern times was the Bank of Venice, organized in 1157 and made up of a number of wealthy men of Venice who for lending money to the government were allowed to do a banking business. It went out of business in 1808. The Bank of Amsterdam was a model for many modern banks; it was established in 1609 and failed in 1790. The great Bank of England, the greatest in the world, was established in 1694. It grew out of the necessities of the English government to raise £1,200,000. By furnishing this sum the incorporators were allowed to issue notes. The Bank of France was organized in 1800. The Imperial Bank of Germany was established in 1875, but it had done business as the Bank of Prussia as early as 1765. The first savings bank was established by the Reverend Henry Duncan at Rothwell, Scotland, as the Savings and Friendly Society. The Bank of North America was established Dec. 31, 1781, by the Continental Congress, and the several states were forbidden to establish a rival during the Revolutionary War. The first bank of the United States was incorporated at Phila-

delphia in 1791 and it was the cause of a great deal of financial and political discord. Application for a renewal of its charter in 1811, in spite of its good services to the government, was refused. The second bank of the United States was organized in 1817 for the principal purpose of aiding the government in raising money without charge. This bank was finally put out of business by President Jackson's vetoing its extension of charter, and the stockholders lost \$28,000,000 by its expiration.



THE LARGEST AND BEST APPOINTED RETAIL STORE IN THE WORLD.

All three buildings in the photograph are the retail stores of Marshall Field & Co., Chicago. The magnitude of the buildings, the volume of business done, and consequently an idea of the number of employees required to serve customers can be gathered from the fact that the stores occupy a frontage of an entire city block on State street, the same on Washington street, half a block on Randolph street and the same amount of space on Wabash avenue.



BARON ROTHSCHILD,

One of the leading financiers of the world and head of the banking firm of N. M. Rothschild & Sons.



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Multi-millionaire Sugar Refiner.



HENRY O. HAVEMEYER,

Of American Sugar Refining Co. fame.

CHAPTER XX

THE SENATE OF AMERICAN FINANCE.

The Directory of Directors—Extreme Concentration of Corporate Organizations—Ninety Men Control the Purse Strings of the Country—Fifty-seven Members of the Money Senate—Abuses in the Directory System.

WE HAVE already seen how twenty-three men in the National City Bank board of directors represent interests that control about one-tenth of the wealth of all the United States. We have seen how Standard Oil influences have dominated billions, and how the interlacing of the powers back of the great insurance and railway organizations, while competing with each other, are friendly enough to mass together for common interest and protection when the need arises. It still remains, however, to link all these main influences of finance, commerce and industry which commonly are termed trusts into one big family in order to show to what position the tendency of extreme concentration has brought the wealth of the United States.

In the principal financial centers of the country one can find a volume called the "Directory of Directors." That of New York City is the largest because the greatest financial interests of the country center there. In this book will be found a list of all the men who occupy positions upon the board of directors of any corporation in that city. A short perusal of this volume will show some marvelous things, among others that there is a business oligarchy as definite and powerful as any political machine that ever ruled modern affairs or any old-world royalist regime that crowned a puppet king. One competent authority likens this modern body of representatives of the people's wealth to the highest representative body in American politics and dubs it "the senate of American finance." And in speaking of the power of this clique or business oligarchy the Wall Street Journal has said, "It would not be too much to say that they are more powerful than the ninety men who constitute the senate of the United States, for they who control the purse-strings of the country—its productive and distributive energies—control the country."

Now for a few detailed facts. If we run through the "Directory of

Directors of New York" we learn that it is common custom for one man to serve in many corporations in the capacity of director—that is, to be the active managing overseer and careful judge of the investors of the country who put their savings in the securities of these corporations. If we watch closely enough we find that in hundreds of cases the names of the directors are those of clerks in the office of some trust company which does business for the corporation in question, or of those in the office of one of the big money or industrial kings. Such are "dummies," paid to direct at the dictation of the masters, to vote on great and momentous questions at command and to run at the beck and call of those in control. It is not of these that "the senate of American finance" is made up.

If we examine a little further we find names that recur again and again in most of the big companies of the country, names that to the ear are familiar. We see by comparisons that these are they whose hired servants act as "dummies." If we compute the number of places on the board of directors of each of the principal corporations of power in finance, commerce and industry—concerns that hold one-fifth of the wealth of the country in their power—we find the total to fall short of 1,500. Now, it does not follow that all these places are filled by separate men. That is decidedly what does not happen in this age of concentrated power. On the contrary, about 1,000 men are the representatives of the ninety-two principal corporations and partnerships—banking houses, banks, trust companies, life insurance companies, railways and industrial and miscellaneous concerns—which we have under examination. Nearly one-third of these directorships—410 in number, to be exact—are filled by 72 men. Not one of these men holds a place on less than two boards of directors and many of them hold 10 to 25 positions, testifying to their widespread influence. Let us see what interests these seventy-two men dominate. Among financial houses and companies they wield almost entire control of:

J. P. Morgan & Company,	} Who are bankers extraordinary to
Kuhn, Loeb & Company,	
Speyer & Company,	
	} the Money Trust, Railway Trust,
	} Life Insurance Trust, etc.

Mutual Life Insurance Company, of New York,	} "Big Six," or
Equitable Life Assurance Society,	
New York Life Insurance Company,	
Metropolitan Life Insurance Company,	
Prudential Insurance Company of America,	
Provident Life and Trust Company,	} Life Insurance Trust.

National City Bank, New York,
 First National Bank, New York,
 National Bank of Commerce, New York,
 National Park Bank, New York.
 American Exchange National Bank, New York,
 Hanover National Bank, New York,
 Chase National Bank, New York,
 Corn Exchange Bank, New York,
 Chemical National Bank, New York,
 Fourth National Bank, New York,
 Citizens Central National Bank, New York,
 Seaboard National Bank, New York,
 Manhattan Company, New York,
 Bank of New York,
 First National Bank, Chicago,
 Continental National Bank, Chicago,
 Commercial National Bank, Chicago,
 National Shawmut Bank, Boston,
 Philadelphia National Bank,
 Fourth Street National Bank, Philadelphia,
 Third National Bank, St. Louis,
 United States Trust Company, New York,
 Union Trust Company, New York,
 New York Security and Trust Company,
 Morton Trust Company, New York,
 Guaranty Trust Company, New York,
 Farmers' Loan and Trust Company, New York,
 Central Trust Company, New York,
 Mercantile Trust Company, New York,
 Illinois Trust and Savings Bank, Chicago,
 Old Colony Trust Company, New York,
 Union Trust Company, Pittsburg,
 Industrial Trust Company, Providence, R. I.

The Money Trust
 of America.

Consolidated Gas Company, New York, }
 Brooklyn Rapid Transit Company, } New York public utilities trust.
 Interborough Rapid Transit Company, }

Pennsylvania Railway,
 New York Central,
 The Erie,
 Delaware, Lackawanna & Western,
 Lehigh Valley,
 Delaware & Hudson,
 Baltimore & Ohio,
 The Reading Company,
 Chesapeake & Ohio,
 Louisville & Nashville,
 Atlantic Coast Line,
 Northern Pacific,
 Union Pacific,
 Missouri Pacific,
 Great Northern,
 Atchison, Topeka & Santa Fe,
 Chicago, Milwaukee & St. Paul,
 Illinois Central,
 Wabash,
 Southern Pacific,

The Railway Trust.

Armour & Co.,
 Nelson Morris & Company,
 National Packing Company,
 Swift & Company,
 United States Steel Corporation,
 Standard Oil Company,
 American Sugar Refining Company,
 American Telephone and Telegraph Company,
 American Tobacco Company,
 Central Leather Company,
 International Mercantile Marine,
 International Paper Company,
 International Harvester Company,
 General Chemical Company,
 Pullman Company,
 National Biscuit Company,
 Associated Merchants Company,
 American Smelting and Refining Company,

Great industrial trusts
of America.

Following are the names of the members of this "senate of American finance":

James W. Alexander,
 Oliver Ames,
 J. Ogden Armour,

John Jacob Astor,
 Geo. F. Baker,
 August Belmont,

E. J. Berwind,
 Cornelius N. Bliss,
 A. N. Brady,
 A. J. Cassatt,
 John Claffin,
 Dumont Clarke,
 T. Jefferson Coolidge,
 F. Cromwell,
 Chauncey M. Depew,
 J. F. Dryden,
 Marshall Field,
 Louis Fitzgerald,
 H. C. Frick,
 Geo. J. Gould,
 E. H. Gary,
 C. A. Griscom,
 James J. Hill,
 E. H. Harriman,
 Edwin Hawley,
 H. L. Higginson,
 J. H. Hyde,
 H. O. Havemeyer,
 G. G. Haven,
 E. C. Hoyt,
 Adrien Iselin, Jr.,
 A. D. Juilliard,
 J. N. Jarvie,
 John S. Kennedy,
 Charles Lanier,
 J. A. McCall,
 R. A. McCurdy,
 D. O. Mills,
 W. H. Moore,

Levi P. Morton,
 J. Pierpont Morgan,
 E. B. Morris,
 John J. Mitchell,
 W. G. Oakman,
 A. E. Orr,
 Daniel O'Day,
 Geo. W. Perkins,
 M. Taylor Pyne,
 C. A. Peabody,
 C. M. Prevost,
 John D. Rockefeller,
 Wm. Rockefeller,
 H. H. Rogers,
 Thos. F. Ryan,
 Norman B. Ream,
 Samuel Rea,
 S. R. Shipley,
 James Speyer,
 E. T. Stotesbury,
 J. H. Schiff,
 Samuel Spencer,
 Charles Steele,
 James Stillman,
 Samuel Sloan,
 L. F. Swift,
 H. McK. Twombly,
 W. K. Vanderbilt,
 F. W. Vanderbilt,
 P. A. Valentine,
 John I. Waterbury,
 W. S. Webb,
 Henry Walters.

Even this business oligarchy can be reduced in number by eliminating some of the names which represent important interests and still the domination of American industry would be practically as complete, for these great interests still would be largely controlled by those remaining. If we omit some of the actual heads of the Beef Trust and other western magnates we can reduce the number from seventy-two to fifty-seven. And even in the list of fifty-seven directors representing nearly 1,500 directorships, eleven men serve 553 times as directors, or on an average of over fifty each. The preceding list brought down to the more exclusive body of fifty-seven members of the "senate," with

the lowest representation numbering six, the highest seventy-four, and the average directorships filled by each about twenty-five, is shown in detail, with the number of positions filled as follows:

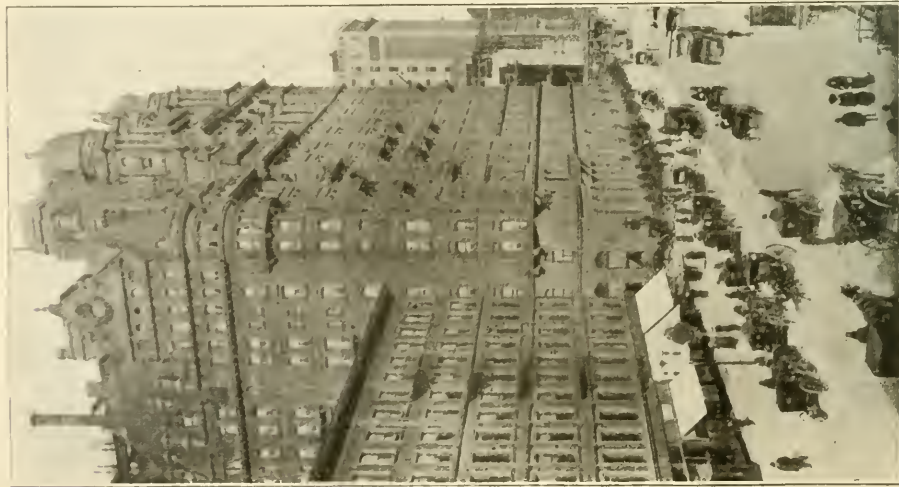
James W. Alexander.....	13	Louis Fitzgerald	7
John Jacob Astor.....	16	George J. Gould.....	52
George F. Baker.....	42	E. H. Gary.....	41
August Belmont.....	25	C. A. Griscom.....	16
E. J. Berwind.....	26	James J. Hill.....	12
Cornelius N. Bliss.....	6	E. H. Harriman.....	49
A. N. Brady.....	47	Edwin Hawley	26
John Clatlin.....	16	James H. Hyde.....	47
Dumont Clarke.....	24	H. O. Havemeyer.....	13
F. Cromwell.....	17	G. G. Haven.....	29
Chauncey M. Depew.....	74	E. L. Hoyt.....	6
J. F. Dryden.....	10	J. N. Jarvie.....	12
Adrian Iselin, Jr.....	27	Charles Lanier	18
H. H. Rogers.....	25	John A. McCall.....	11
Thomas F. Ryan.....	27	R. A. McCurdy.....	15
J. H. Schiff.....	17	D. O. Mills.....	33
Samuel Sloan.....	31	W. H. Moore.....	11
Samuel Spencer.....	24	Levi P. Morton.....	10
James Speyer.....	17	J. Pierpont Morgan.....	39
Charles Steele.....	32	W. G. Oakman.....	27
James Stillman.....	55	A. E. Orr.....	29
E. T. Stotesbury.....	31	Daniel O'Day	24
H. McK. Twombly.....	46	George W. Perkins.....	11
W. K. Vanderbilt.....	56	C. A. Peabody.....	19
F. W. Vanderbilt.....	44	M. Taylor Pyne.....	25
John I. Waterbury.....	16	Norman B. Ream.....	30
W. S. Webb.....	19	John D. Rockefeller.....	8
Henry Walters.....	15	William Rockefeller.....	31
J. S. Kennedy.....	15		

Without going into a long discussion of the merits of such a business system as permits this concentration of business trusteeships in the hands of such a small number of men, especially in this day of stock market manipulation, it may be said that the question has been asked more than once whether it is right that temptations of this sort be placed before men. To be sure, generally speaking, the names here mentioned are considered of the highest in the land. But the authority quoted previously asks pertinently, "Does this exhibit mean anything? It may be taken for granted that every one of these men is amply qualified by his wealth, his business training and administrative abil-

ities to serve as director. Their names are a tower of strength to any corporation, a fine advertisement to it. These men do not belong to the class of 'dummy' directors in the sense of being mere pawns for the real owners of the properties, mere machines responding to the call of an electric button. They are great capitalists, masters in the financial world. But is it right that there should be eleven men serving 553 times as directors, and fifty-seven whose aggregate directorships are 1,460? Is it possible that any one man can direct, really direct, twenty-five to fifty corporations situated in different parts of the country and engaged in different kinds of business? Can he ever in any true sense serve as advisor for so many different institutions?

"James J. Hill recently refused to serve on the committee to investigate the Equitable, stating that he was too busy. A reference to the foregoing table shows that Mr. Hill is a director in only twelve companies, a modest employment for a man of his prominence. Yet E. H. Harriman, who is a director in forty-nine different companies, did not hesitate to accept a place on this committee, and would no doubt have taken upon himself the responsibility of acting as its chairman if he had been asked. Mr. Harriman has the time to serve as director of about thirty railway companies, four or five electric traction companies, a half dozen steamship companies as well as of banks and trust, insurance and telegraph companies. He has interests in nearly every state of the union, and is credited with having such power over the politics of New York as to be able to dictate the re-election of Senator Depew. Yet he finds time to reform the Equitable! Mr. Depew has so much time left on his hands after looking after the seventy-four corporations of which he is director that he is able to represent the state of New York in the senate.

"There is evidently something wrong in this state of things. It is a perversion of the director system. It is liable to grave abuses. It is a convenient method of concentrating power, but it must result in directorships being used, to a dangerous extent, for personal gain, instead of being a trust for others. It is absurd to say that any man, however great his ability, can in any true sense serve as a director in as many as fifty corporations. This is one of those developments of the past twenty-five years which by revolutionizing the conditions under which great business is conducted have produced new problems to be solved."



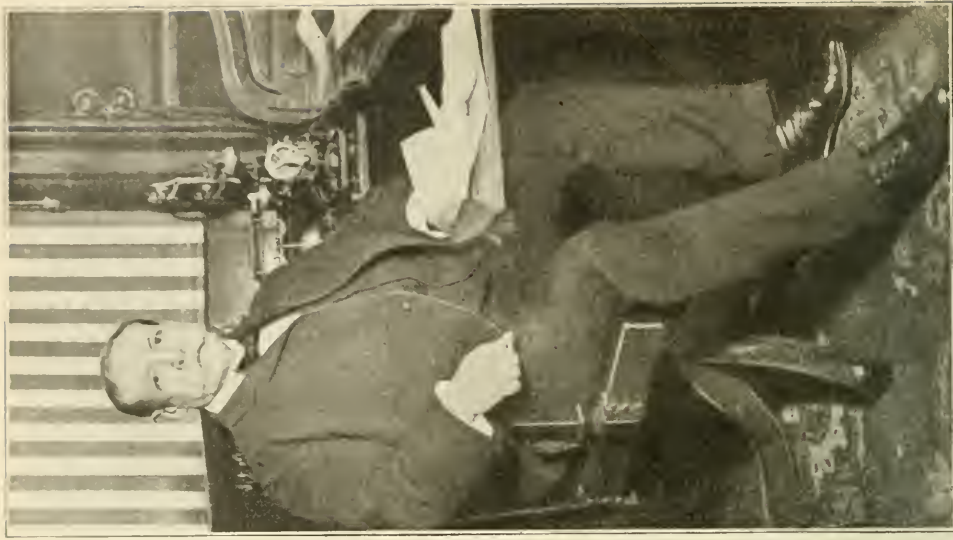
**THE WALDORF-ASTORIA HOTEL,
NEW YORK.**

The world-famed millionaire's hostelry.



JAMES B. DILL.

With his pluck, energy, tact and executive ability he has the distinction of being the organizer of over 700 corporations, and is an authority on corporation law.



CHARLES T. YERKES.

Mr. Yerkes has been a promoter of street car systems in a number of the large cities of the United States. He has now gained international fame by having undertaken the building of the underground railway in London.

CHAPTER XXI

THE BIRTH OF THE TRUST.

How Great Combinations of Capital Have Multiplied—The Harvest Time of the Promoter and the Manipulator—Dummy Directors and Trust Nurseries—The Nation Becoming Aroused to the Facts.

WHILE the Standard Oil Company was organized in 1885 and the American Sugar Refining Company in 1887, thus marking the beginning of the trust movement which has made this age epochal in the history of the world, and the great impetus to industrial combination was given then, the Trust Period may be dated from 1898. In fact, in the three years between that date and the close of 1900 one hundred and forty-nine large industrial combinations were formed, having a capitalization of over \$3,000,000,000. Since that time the capitalization of trusts has been doubled by new combinations.

Presumably the movement would have begun to take on its destined form earlier had it not been for the panic and hard times following upon the failure of the great English banking house of Baring Brothers in 1890, which left results that were felt for several years. It was not until after the revival of business, which began with 1897, when the free silver scare had died out and President McKinley had taken office, that shrewd business men began to take advantage of lessons they had learned from some of the earlier industrial combinations. By 1898 business was in good shape. The investor who had been frightened away from stock markets came out again looking for bargains. Railways increased their earnings remarkably and the demand for securities to share in abundant dividends attracted general attention. The time was ripe for new projects and the promoter seeing opportunities to merge many separate businesses or manufactories of one trade into a single large corporation set to work with a will to gain profits through the establishment of numerous monopolies.

There had been a cause for this, however, aside from the attraction that profits had for such geniuses of promotion as J. P. Morgan, W. H. Moore, and others. For one thing, captains of industry desired an end to costly competition. This had been shown in the evolution of trade methods before the great trust period set in. In the iron and steel industry, where the

greatest number of minor trusts had been organized, there had been great warfare. This industry naturally grouped itself about localities where good transportation, proximity to coal fields and ore districts and kindred natural advantages permitted of economical production. Certain companies ruled



VIEW OF ONE OF CHICAGO'S NEWEST AND HANDSOMEST PLAYHOUSES.

This is one of two theaters in Chicago belonging to the so-called theatrical trust. It has been shown in the evidence given in a suit at law brought against the trust, that the combination controls sixty-five first-class theaters in every part of the country. As far as is known upon the surface it is claimed that the trust, through its monopoly of the theaters of most of the principal cities, has been able to prevent great dramatic stars, who are not under its management, from appearing in first-class houses, without extortion, etc.

given territories and were jealous of that influence. Distance from market checked severe competition to a certain degree, but some of the great companies were so well located that frequently they were able to compete within

the territory of other concerns. In order to get business it happened sometimes that a great concession in prices was made. For instance, in 1899, prior to the organization of the United States Steel Corporation, steel billets which were quoted at \$34 a ton actually sold at \$16, and steel rails, nominally quoted at \$32, were sold at \$16.

Not only in this line of industry but in many others there was competition which was good for neither producer nor consumer. Wide fluctuation in prices of any commodity upset calculations. "Competition might be considered the life of trade, but at the close of the last industrial depression it was regarded as the death of profits," says Professor Meade. "It was highly desirable from the manufacturer's point of view to stop, or at least to abate, this struggle, which benefited nobody save the consumer, and which even in his case, in the field of production goods, had to be straightway passed on to his customers. The producers were tired of working for the public. They desired a larger profit without such an effort to get it, and they wished to have that profit available for distribution and not locked up in plant and equipment."

One of the logical methods of regulating competition before the advent of the trust had been the formation of pools, or voluntary associations of producers to secure profitable prices by means of limiting supply through restricting output and by maintaining prices to the consumer without competitive concessions. These pools, while contrary to law, exist today in many industries. Before the Trust Period, and even today, the essential weakness of the pool lies in the inability to enforce agreements. As has been stated, the pool is a voluntary association and from this organization members at any time could withdraw. In times of prosperity some members selfishly desired more than their allotted share of business and profits, and they frequently broke contracts. In times of depression self-preservation prompted similar tactics. When pooling agreements were found to be unsatisfactory the trust movement was well under way.

One kind of trust consisted of an agreement to deposit the stocks of certain companies in trust in exchange for trust certificates which entitled the holders to a division of profits through dividends. The trustees thus managed the various companies and through permanent centralization and self-seeking rather than competition were able to restrict trade better than had been the case under pool agreements. The fact that in 1890 Congress passed the Sherman Anti-Trust Law which declared that "every contract, combination in the form of trust or otherwise, or conspiracy in restraint of trade or com-

merce among the several states, or with foreign nations, is hereby declared to be illegal," and that a popular outburst developed against trusts, did not retard the trust movement. In 1892 the Standard Oil trust rode around the law and inaugurated the principle of community of interest. New Jersey was the instrument used. In 1889 through the efforts of the father of the trusts, James B. Dill, the corporation law of that state was changed so as to permit a corporation organizing for the general purpose of owning stock or property of other corporations.

Here was the solution. If a combination were desired so as to gain the necessary monopoly to regulate prices it was simply a matter of forming a holding company to acquire the stocks of other corporations. It was an easy matter to accomplish this, for the law required only a small fee and annual tax: the maintenance of a "principal" office in the state with a conspicuous sign indicating the local of such office, a legal representative and stock transfer books: an annual report to be made to the secretary of state; annual meetings to be held inside the state, and one director a state resident. Aside from thus giving impetus to the trust movement, officials of the state aided in the formation of numerous trusts and even founded a trust company to act as trustee and legal representative and to drum up business in trust formation until New Jersey became known as the home of the trusts. Indeed so bent upon making money by this method were the state and its officials that they carried the thing to farcical extremes. One trust company in Camden displays on a small sign board at its entrance the names of some 800 corporations, indicating that this is the "principal place of business" of these concerns, most of which are doing business in other states. An employe of this trust company acts as the New Jersey "dummy" director of hundreds of these corporations.

Watered Stock: The Promoter's Fee.

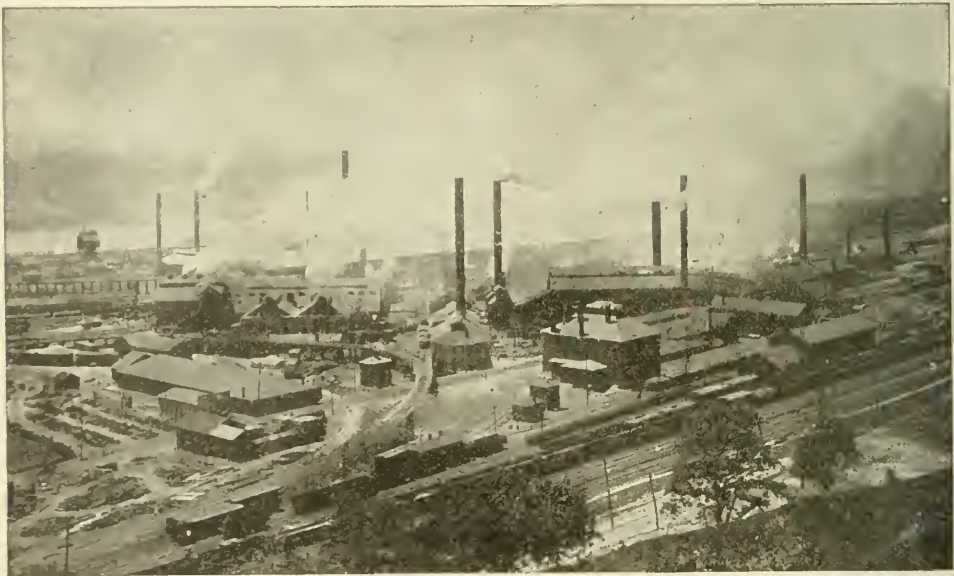
When it became apparent to many business men that in combination there was a great economy to be effected, especially if the combination could bring about anything like the monopoly desired to make the trust the regulator of prices in the market for its given commodity, there was a number of persons who arose to take advantage of these conditions and to do the active work of forming the trusts. These were the financial middle men or promoters, and generally speaking, their fees for establishing the trusts which now dominate business America, was "watered" stock, which also was paid for by the "dear public."

It would be beside the facts to say that the promoter even of the trust does

not perform a good and specific service for the community at large. But let us see what this service is and try to determine whether it was overpaid. We have seen that in any period of very serious competition there is a tendency for wide fluctuations in prices of any commodity. This is bad for business. A man would rather be sure he could earn a moderate and steady profit than a great profit one year and none the next. Therefore we know that it was the desire of the great commercial concerns to avoid this excessive competition and to do it by consolidation. But aside from the combination, which was expected to control such a great percentage of business in a given line that there would be no serious price cutting and loss through competition, rather there would be the power to force high prices on the public, there were other savings. A great organization could buy its raw materials in the lowest market. It could force great concessions from the railways in the matter of rebates, prompt deliveries or kindred favors. Consumers who were inclined to drive hard bargains successfully under competition or who were in a great hurry to have their orders filled, could be held in line without fear of losing their trade. Pressure could be brought to bear upon retailers by manufacturers not to cut prices. And finally, though the great growth of copartnerships and companies before the Trust Period had been accompanied by the growth of great labor unions, the trusts found greater power in fighting the laborer's demand for shorter hours or higher pay through combinations than otherwise.

With all these advantages of coöperation among manufacturers at the dawn of the Trust Period there were numerous cases where consolidation was greatly desired by competitive interests, which could not be gratified by the formation of a trust for several years just because the promoter could not attend to the business at the time. This suggests that the promotion of trusts was a difficult task, and so it was. In some cases, of course, where several big concerns were to be brought together, the owners of each individual plant had high ideas about the value of their property. Sometimes they were the strongest men of the trade and were not particularly desirous of combining, while many smaller men wished to see the combination brought about. Here was a hard task for the promoter, for without the biggest men in the combination the trust would not approach a monopoly of the industry and would fail of the desired results. Therefore one thing needed by the promoter was a great deal of tact in order to get all sides interested enough in the work of combining to agree to any terms at all. But let us suppose that the promoter has arranged something of an agreement with most of the competitors, what is the next thing?

Of course the price or inventory of the plants is all important, but also the manner in which the price is to be paid. It does not matter quite so much if the biggest man demands more in proportion than is due him for his plants, for this can be offset perhaps by threatening to leave some small concern out of the fold and thus forcing him to come in at a price low enough to balance. But with the completion of this delicate work which the promoter must perform, that of providing the money to carry the trust to completion is perhaps more arduous. In the first place, the promoter generally has banking associations which will advance money on a good proposition. This, perhaps, the individual members of the proposed trust could not secure unaided. Then



BIRD'S-EYE VIEW OF A GREAT PENNSYLVANIA STEEL MILL.

there is a great deal of figuring to be done to ascertain whether stocks and bonds of the trust can be marketed to the speculative and investing public on terms enough good to carry the deal through. Next, the merging interests must be coaxed into taking some of these stocks and bonds in payment for their plants, for if the men who are forming the trust themselves do not think well enough of the trust to invest in its securities, the public surely will be skeptical.

After these plans are roughly sketched out the promoter finds himself in this position: He has options by which he can purchase all the plants in a

given industry at a certain figure; he has interested certain bankers or an underwriting syndicate to assist him in finding a market for stocks and bonds, and he has secured agreements from the plant owners to take part payment for their share in the trust in securities. Before this he has figured out just what he is to pay, but let us see how he pays and where the money comes from.

In the first place the plant owners have not consented to come into the scheme except at a satisfactory price, which, of course, means a high price. The plants now may be running on a profit of 10 per cent to their owners; but the prospect of controlling the market, of saving money through absence of competition and holding the market price level, to say nothing of the other power gained by bigness, suggests that this profit can be raised to 20 per cent. Therefore the promoter figures the 20 per cent income as the fair basis for capitalizing his trust. If the companies or plants which separately earned 10 per cent were valued at \$5,000,000, the trust would be considered worth at least twice that amount. The difference of \$5,000,000 does not represent value invested, save in the fact that combination is of value. When actual cash has not been paid in for the stock of a company at 100 cents on the dollar, or at par, it is said the stock is "watered." In this case the "water" in the stock is \$5,000,000.

Now, the way the plants are paid for are several, but a typical case would be for the promoter to organize the new trust with a certain amount of bonds, some preferred stock and some common stock. Bonds must be strictly limited, especially in a manufacturing company where profits are big one year and small another, for interest must be paid regularly on bonds, whereas profits can be divided on stock as they are earned, and of course are not divided if not earned. Some trusts formed did not put out bonds at all, and in that case there was no debt against the company to cause prospective investors to doubt the value of the stocks. In some cases, however, the men who sold out their plants, as Carnegie did to the United States Steel corporation, were in a position to insist upon getting bonds, which constituted a mortgage on the trust. If it was not bonds, the plant owners at least insisted upon preferred stock, where they had first show at the dividends, generally the dividends were made accumulative so that those that were not paid one year would be paid up another and thus insure the old owners seemingly at least as good investments as they had had in their own businesses.

The method of capitalizing the trust was usually on the basis of actual value of the plants for the preferred stock. That is, if \$5,000,000 worth of plants were being merged into a trust the preferred capital would be at least

this amount. It might be the men combining drove a hard bargain and wanted a great deal in cash for their plants, in which event some bonds might be put out or the preferred stock increased. Then, as we have seen the monopoly value of the trust and the force of the combination would promise doubled earnings, something like \$5,000,000 of common stock would be issued. From this several persons must get their shares of the profits of consolidation. Generally the plant owners want something besides the face value of their plants. So they get a bonus of a few shares of common stock. But it is presumed that the new concern will have to have a greatly increased cash surplus, perhaps improved plants, to do business as the trust, and for the time new working capital is necessary. The promoter must see to this and in that case the capital stock must be increased. Then the promoter himself must get his pay and it is big according to the size of the project. So the stock must be increased still more above the face value of the original plants. By this time the trust's capital may have swollen to \$15,000,000.

There is something of a good reason, possibly, for this. The organizers know that the public will not pay full price for the stock until the company is earning on its new capitalization, hence the promoter figures on selling the common stock at about 50 per cent of its par value. And even here he has to call in the underwriting syndicate to advance money and take the stocks of the trust in payment. The underwriters generally want not only profits but a commission besides for selling the stocks later to the public. All this shows that while there may be economy in the great combinations, it is so great an undertaking to bring the competing interests together into a trust, that big compensation is demanded and given to the men who merge the companies.

All this would be well enough, perhaps, if the earnings of the trusts as estimated for the basis of capitalization would pan out up to promises. The public, knowing little of the real financial conditions of the great combinations, believes dividends started in order to make the stock look attractive are to endure for all time. But the promoter has judged of the effect dividends would have on the investing public and insists upon the payment of them when earnings should have gone to pile up needed capital with which to operate the company or to accumulate a surplus for future needs. This draws the investor to speculative stocks and when, because of the enormous amount of fictitious capital in the trusts and because of the decline in business that comes periodically, earnings fall to the point where dividends cannot be paid, the innocent and ignorant investors are the losers of their invested capital to a great degree. It is the sin of "watered" stock, that has brought out perhaps one of the greatest complaints from the public at large against the trusts.

CHAPTER XXII

"GOLD BRICKS"—FRAUD UNDER THE GUISE OF SPECULATION.

Bunco Games in the World of Finance—Traps Baited with Promises of Big Dividends—Typical "Get-Rich-Quick" Schemes—Fake Banks and Fake Credit Agencies and References—The Work of the Bucket Shop—The Rule for Safety.

IT WOULD SEEM that nearly every bunco game conceivable had been exposed long ago and that people having money to invest could have learned the lessons taught by the experience of those who have bought "gold bricks." But every day turns up some new scheme by which the man with a few dollars is relieved of his property with speed and deftness. The device perhaps most in use today to part a man from his hard-earned savings is that which masquerades under the guise of speculation. The man who has laid by a few dollars after years of hard work desires to "make his money work." Undoubtedly this is wise. The principal basis of modern business is credit and those who have accumulated capital always should be able to make that capital earn them an income. But the investor who knows little or nothing of the ways of investment hears the tales of how the kings of finance have made fabulous fortunes in a few years or even months through some great speculative venture and they would emulate their examples. Such a prospective investor is ripe fruit for the plucking by the first unprincipled knave that comes along.

The first thing that is offered the guileless possessor of money is a big dividend. Bright and gilded prospectuses of some far away gold, silver or copper mine, oil well, rubber, sugar, or pineapple plantation or what-not are sent to people who are known to have a little money to invest. These prospectuses always promise "safe investment" and the "largest possible dividends." Some of them go so far as to "guarantee" dividends on stock which at best is "watered" several hundred-fold. Beside using the mails to send out these pamphlets to the unsuspecting public, the robbers who represent themselves to be managers of legitimate business corporations often advertise at great length in the newspapers of the country in order to catch the eye of their victim. The dividends promised are almost always so enormous that the most ignorant

person should have his suspicions aroused. Ten per cent is generally the least promised and most frequently the immediate prospect held out is for "20 to 30 per cent or more within a few years." We quote from one typical advertisement of one of these "get-rich-quick" scheme advertisements: "The certificates can be purchased for cash or on the installment plan to suit the subscriber. Dividends will be begun at once and will increase rapidly each year until an annual payment of 30 per cent or *more* is paid. *If your earnings are small* it is all the more reason why you should invest them where the *greatest possible dividends* will be earned."

Now, it happens frequently that just such concerns which peddle stock to ignorant investors on the installment plan are legally organized and upon investigation can prove that the stock with which they are swindling the public really does own some property somewhere, which will be improved or cultivated or made to earn profits for the stockholders. But these investment frauds nearly always are stock juggling schemes of the worst sort. At best such companies are organized only with "prospects." The savings bank pays 3 per cent interest on savings deposits. This is the measure of safety by which ignorant investors should judge investments. Consider then the fine promises of ten, twenty, thirty or even 100 per cent income. The stock peddler of the illegitimate sort points out, that Calumet and Hecla Copper shares once sold for a very low price, that this or that plantation reaps great rewards for investments made long ago. True. Today there is as great wealth to be made in such enterprises as at any time in history. But the point to be dwelt upon is that the legitimate enterprise based upon sound management, sane financial methods and honesty at best is a venture. And the legitimate venture is none too secure to the investor who is not personally informed of such matters as management and finance.

It is not an unusual method of the schemers to organize papers which purport to be legitimate financial journals in order to foist their bogus or "watered" securities upon the public. When this scheme is adopted the bogus "financial journal" usually contains a coupon which reads something like this:

Investors Should Not Speculate

or invest their money in any proposition without a full knowledge of its value and dependability. Not one third the enterprises offered the investing public are reliable. So far as we are able we will be pleased to be of service to our readers who make use of the following blank:

Editor Chicago Daily Financial and Industrial Bulletin:

Dear Sir:—Please give me your opinion concerning

(Full name of company).....

(General Offices)

No charge made	}	Name.....
for information if		Address.....
stamp is enclosed.		City and State.....

This sort of bunco game embraces sending the “financial journal” to people who have been approached with a certain “get-rich-quick” stock scheme, or who will be approached. If the investor is ignorant of such practices he may fill out the blank requesting information. Invariably he receives an immediate reply approving the stock. Or an advertisement appears in the paper which courts investigation for the stock. Sometimes the “financial journal” is an independent blackmail sheet run for fraudulent purposes and in that case it will approve of any bogus concern which will divide the spoils. In order to make the paper appear genuine some companies are attacked. Financial gossip is copied from other papers to give the sheet a genuine appearance. Such papers frequently demand advertising from men who are running small but legitimate mining or plantation stock companies and who wish to sell stock to increase their business. If the advertisements are not given, the paper generally threatens to “expose” the managers for running a fake or shaky concern. These papers, which exist even in Wall Street, are filled with favorable “write ups” of stock companies which are prepared to rob the people. To show to what extremes some of the swindlers will go we print on the next page a typical advertisement of a stock “get-rich-quick” scheme.

When the speculative swindler is not at work on stock jobbing schemes he is running a blind pool in wheat, corn, cotton or some other commodity which makes alluring bait for the unwary. Circulars are mailed broadcast to people in the country districts, telling of great fortunes made by the big speculators and setting forth the “secrets of success” in speculation. In short, they ask that the reader send almost any amount of cash to be put into a pool which will operate in stocks or cotton or grain or provisions—it does not matter much what—and the profits will be divided. Figures are given to show how much can be earned. Immediate dividends at fabulous rates are promised. The swindlers rent an office for perhaps a month, collect money from as many gullible people as possible, and, if the dupes come in great enough numbers some of their money will be returned at once as “dividends.” This, of course, serves as a bait to attract more suckers. The news

**SEND US \$10 TO INVEST FOR YOU
IF YOU DARE
AFTER YOU HAVE READ EVERY WORD OF THIS
ADVERTISEMENT.**

We begin sending returns in 8 to 12 days after receipt of your remittance, and from that on every one who approves of our plan is an enthusiastic advertiser for us.

We judge from present indications that our interests in the **TWO GREATEST AND RICHEST PRODUCING GOLD MINING CAMPS IN THE WORLD,**

CRIPPLE CREEK AND GOLD FIELD

in addition to our Copper Mining and other interests, will make every \$10.00 sent in answer to our "dare" advertisements bring the sender hundreds, perhaps thousands, of dollars, even though we *promise* nothing.

THANKS! THANKS! THANKS! are coming in from every direction. We could fill a large volume with letters of thanks, for the returns we have sent, from good people, giving us their consent to use their names as references. But we gave **THEM** no references. **THEY** took the leap absolutely in the dark, and it would not be fair to bother them now to answer letters of inquiry from others.

When you send us \$10.00 to invest for you, we assign to you, absolutely free of charge (aside from the returns we send you in 8 to 12 days), an interest in the _____.

With the first returns we send full particulars and conditions of this assignment, and propositions for larger investments that will surprise you, but it is not necessary to invest any more in order to hold your interest in the _____, nor does that interest place any obligation on you whatever, but it means an interest in all the companies named below, and of course the more you invest the greater your interest will be.

And we **EXPECT** to see the interest of each one increase in value to hundreds, perhaps thousands, of dollars.

The _____ is the only concern in the world that is operating on the plan of "nothing **PROMISED**, but **DO** something."

If you have sent money to the "Big **PROMISE** fellows" and got nothing but loss and disappointment, just send \$10.00 (while you have a chance) where nothing is promised, and it will be no trouble to decide where to send your money hereafter.

We believe we are in a position to make larger returns than the "Big Promise" fellows ever do make, to say the least.

Our prospects look more flattering than they ever did.

We do no coaxing, but we would advise those who contemplate sending us \$10.00 to do it **NOW**.

that Mr. Soandso is getting \$5 a week on an investment of \$100 spreads in many communities. When enough swag has been collected to make it worth while, or if there are signs that the government will discover their nefarious business, the swindlers close their offices, and fade away.

With these concerns as with the fake stock proposition the fake financial paper is a ready assistant. Furthermore, fake credit agencies and banks are organized to aid in the robbery. The moment the prospective dupe is sent a circular promising great and quick wealth, a credit agency slip is sent out soliciting the business of making reports on the condition of speculative concerns. If the dupe is tempted to "invest" his money, he may send a request to the bogus credit agency, asking of the status of the blind pool concern. Invariably a favorable reply is returned, sometimes with the reference of a bank enclosed. Sometimes a legitimate bank is fooled into giving references in these swindles, but more often the bank is a bogus concern in itself.

Every now and then these "get-rick-quick" concerns operate with such boldness that the whole country is startled with the magnitude of the thefts. In 1899 W. F. Miller ran what was called the Franklin Syndicate for a year, offering 520 per cent profit on money invested in it. In that time this syndicate distributed \$1,500,000 in "interest" back to investors. To show how the scheme worked, however, in twenty-three business days toward the close of the swindle Miller took in cash deposits and mail remittances of \$931,000. His expenses were \$138,000. The net profit on three weeks' trade was \$793,000. He had 17,000 depositors. In recent years dozens of similar concerns operating in Chicago, Philadelphia, Cincinnati, Buffalo, Charleston, Boston and elsewhere have operated with success to fleece ignorant persons whose heads have been turned by stories of speculation. Probably none of these swindles has raked in less than \$75,000 to \$100,000. The most recent exposure of this sort was that of the Storey Cotton Company which closed with assets of only \$30,000 and liabilities up in the millions. It is supposed the principals in this swindle got away with \$1,000,000.

Closely allied with this sort of swindle is the bucketshop. Primarily this is simply a gambling place under the guise of a legitimate brokerage office. Actually, however, the bucketshop is a swindling concern, because it is organized solely for the purpose of taking money from and not giving it to people who become their "customers." This counterfeit speculation is transacted by making imaginary purchases or sales of a speculative commodity according to the prices made on bona fide exchanges. There is, however, no purchase or sale of anything. Therefore if a profit is to be made by the "cus-

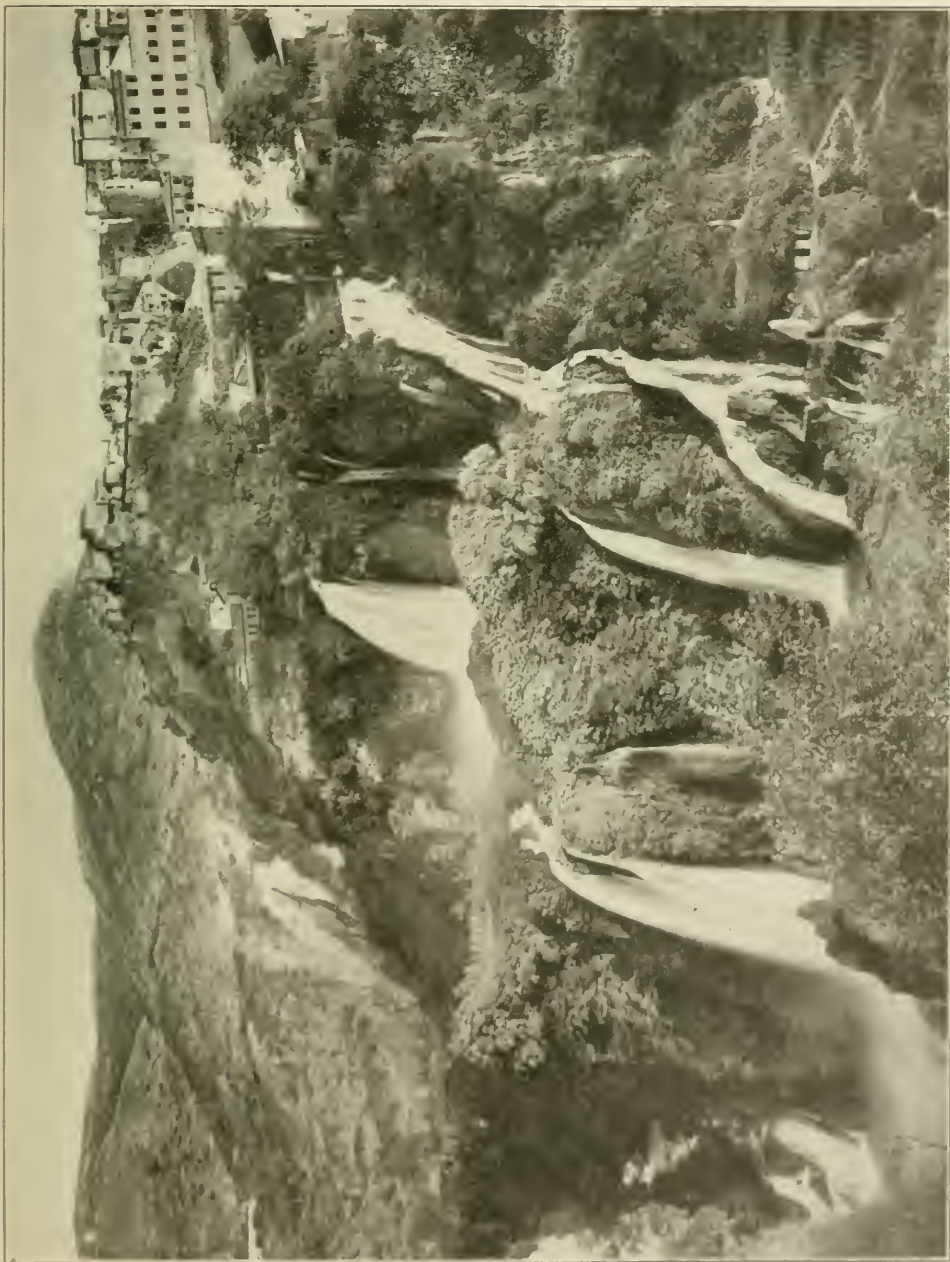
tomers" it must come by chance that later fluctuations will be in his favor and the money must come from the bucketshop. On the other hand if the bucketshop wins it is at the expense of the "customer" invariably. When the bucketshop loses too much to be convenient it fails.

There are all manners of other swindling schemes done in the name of legitimate business. One of the most sensational affairs in recent history was that where Mrs. Cassie L. Chadwick by presenting forged notes in the name of Andrew Carnegie, the steel magnate, and other bogus or worthless "security collateral" was able to secure enormous loans from numerous bankers. Exposure of these transactions developed the fact that the bankers in question had been tempted by big commissions for the loans. Generally these commissions were for the personal benefit of the bankers, while the money lent upon the worthless collateral was that of the bank's depositors. This was nothing but "graft" and was dishonest.

Shortly after Mrs. Chadwick was imprisoned Frank G. Bigelow, president of the First National Bank of Milwaukee, defaulted to the extent of nearly \$4,000,000. This man had been trusted and prominent in banking circles, had even been president of the American Bankers' Association. Bigelow had been a heavy speculator in all sorts of enterprises and had made a great deal of money at times, but finally he lost it all and more besides. The directors of the bank made good the loss.

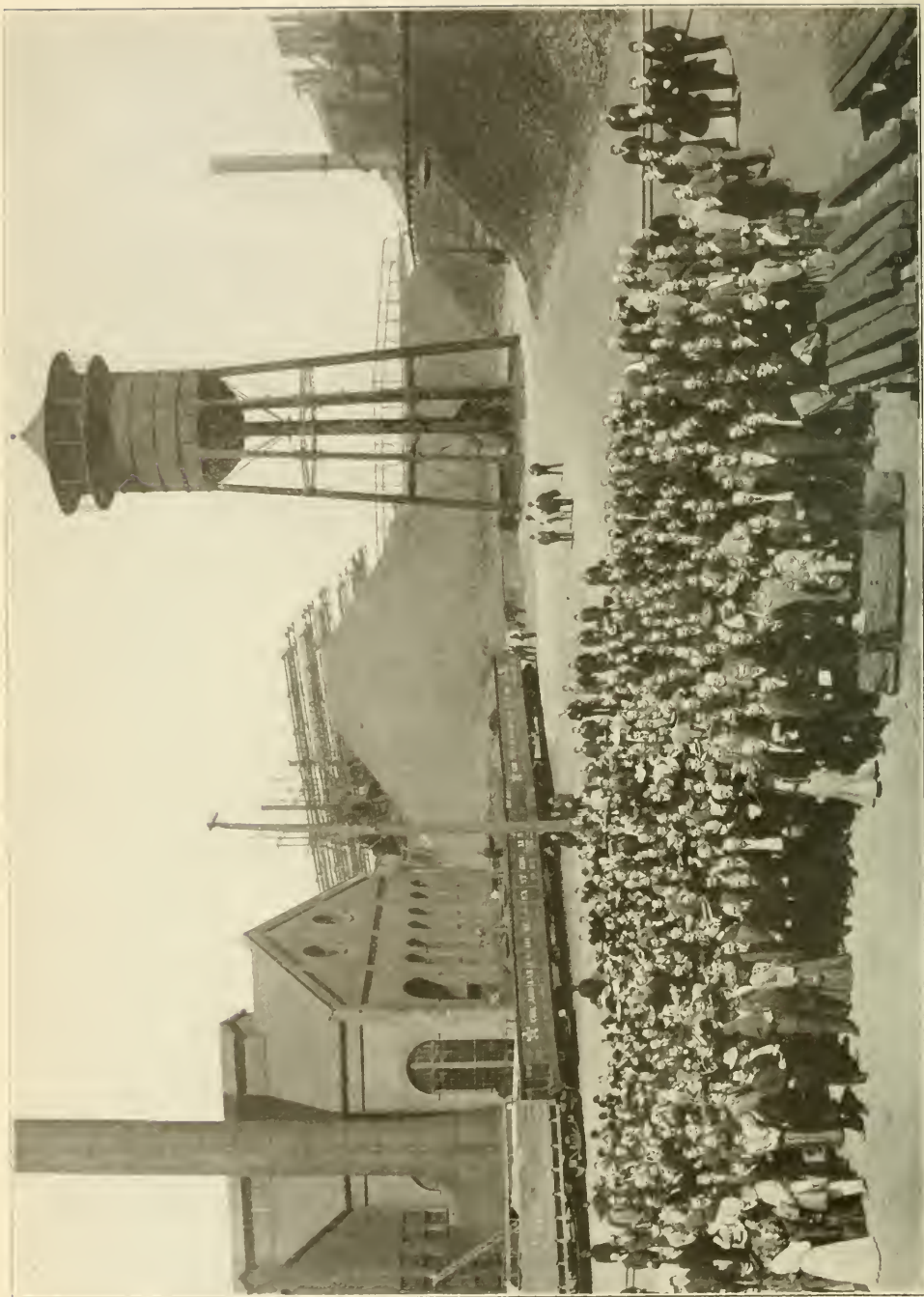
Following are some of the big bank defalcations of the last twenty years:

1884—Ferdinand Ward, head of Grant & Ward, bankers.....	\$6,000,000
1884—John C. Eno, president Second National, New York.....	3,000,000
1890—P. J. Claassen, president, and G. H. Pell, Sixth National, Lennox Hill and Equitable.....	1,000,000
1891—Gideon W. Marsh, president Keystone National, Philadelphia	1,000,000
1891—John T. Hill, president Ninth National, New York.....	400,000
1894—Samuel C. Seeley, bookkeeper Middlesex County bank, Perth Amboy, N. J.....	354,000
1900—William Schreiber, trusted clerk Elizabethport Banking Company, Elizabethport, N. J.....	100,000
1900—C. L. Alvord, note teller First National, New York.....	700,000
1900—Frank M. Brown, assistant cashier German National, Newport, Ky.....	200,000
1901—Henry J. Fleischman, cashier Farmers and Merchants' bank, Los Angeles, Cal.....	150,000
1902—Frank C. Andrews, vice-president City Savings bank, Detroit, Mich.....	1,500,000



WHERE NATURE SUPPLIES THE POWER—THE GREAT WATER-FALLS AT TIVOLI NEAR ROME, ITALY.

The compound fluid substance, consisting of hydrogen and oxygen and known as water, is not only the one quantity that is absolutely necessary to the production and sustenance of all life, but furnishes such power, directly and indirectly, that without its aid industrial and commercial progress would be impossible. Water is so common that we are apt to overlook its importance—except in the case of "watered" stocks. Water is the base of all motive power. Electricity is the greatest money-saving motive power known—yet it requires steam, generated from water, to produce the same. Our photograph—and an unusually excellent one, is of the falls where the water supply of the "Eternal City" comes from. This power also generates the electricity for lighting Rome and for propelling its system of street cars.



INTERNATIONAL CONVENTION OF CIVIL ENGINEERS.

The above picture gives a glimpse of the South Chicago Rolling Mills—an adjunct of the Illinois Steel Co. Immense blast furnaces are shown at the right, giant ore carriers in the center, and part of the rolling mills at the left. The group is a body of Civil Engineers from England, Germany, Austria and other countries, who were being entertained by the Civil Engineers' Society of Chicago. This was the first convention of its kind ever held in America.

CHAPTER XXIII

THE STEEL TRUST—WONDERS OF THE INDUSTRIAL AGE.

Sufficient Natural Resources in the Earth to Promote the Happiness and Prosperity of all Mankind—The Universal Demand For and Use of Iron Ore—Minnesota, with Ranges Opened as Late as 1892, Supplies More Ore Than Any Other Section of the World—How it is Converted for Use in the Arts and Trades.

GREATEST of all the industrial companies of the world is the United States Steel corporation, known as the Steel Trust, with its authorized issue of \$550,000,000 preferred stock, \$550,000,000 common stock, \$298,000,000 collateral bonds, \$153,000,000 second mortgage bonds and \$100,000,000 of guaranteed bonds of subsidiary companies. And yet this corporation in the absolute sense of the word is not a trust, for while it is so powerful through its financial connections as to dominate the market, it controls only about half the iron and steel business of the country, and in order to maintain prices often has to swing its power in connection with its largest competitors.

Several things stand out conspicuously to draw the attention of the world to this biggest of all the industrial trusts, so called. One thing is its capital of more than a billion dollars. Another is the fact that its employes number in the thousands and are scattered all over the country from the Mississippi to the Atlantic. Still another reason is that the stocks of this corporation perhaps were the most widely distributed of any securities of the Trust Period in which the ignorant investing public lost money because of "watered" stocks, whereas the "insiders," the big steel men, made millions over night. Then, too, the employes of the corporation were sold preferred stock on the installment and profit-sharing plan, which at times looked like a very foolhardy and dangerous policy for a great corporation to sponsor, but which at the moment appears very profitable to the employes who stayed by the scheme. The Steel stocks also for a long period were the barometers of the stock markets, and because they fell in price when the steel and iron industry was bad and the dividend on Steel common stock had to be passed, causing great hardship and ultimately injuring business in many parts of the country, business men watched the course of the Steel Trust with great interest.

Necessity was the mother of this trust. Like many others the steel industry was shot full of jealousies, competition and strife among the biggest producers. There had been many minor trusts formed among the steel producing companies with much "water" in the stocks. This should have been



J. PIERPONT MORGAN.

The world renowned broker and financier.

squeezed out, dividends passed and large surpluses acquired in order to bridge the gap when steel and iron, the "prince or pauper industry," ran into bad business. But to squeeze out water was what the trust owners did not want to do, and they continued to pay dividends when such action was dangerous.

At the close of 1900 some of these concerns found themselves in a position which invited attack by strong competitors. Business had found a reaction early in that year, trade had to be adjusted to smaller margins of profit if there was competition and the forces which had been held back during the season of prosperity were let loose to threaten bankruptcy in some concerns. One great steel corporation, the Carnegie company, had risen to a point where it could dominate the trade of the country in a dull season. Dividends were a matter of secondary consideration. Efficiency was everything and in the years 1898-'99 it was said its profits were over \$70,000,000. Now, the house of Morgan and the western promoters of steel trusts,

William and J. H. Moore, were interested vitally in many big steel concerns. The Carnegie company could get along with the National Steel company, the National Tube company, the Federal Steel company, the American Steel and Wire company and such other concerns during prosperity. These rivals were

not independent of the Carnegie company, indeed they had worked together in harmony much of the time.

But finally the situation narrowed down to a contest between the big and the smaller companies for industrial independence and none had any intention of submitting to a loss of its markets. In the West the Federal Steel fought for supremacy with the companies which had been buying products from it but which were now making their own supplies, while in the Pittsburg district the same trouble confronted the Carnegie concern. The latter company even went to the extent of preparing to secure an independent railway line to the Atlantic seaboard. When competition threatened disaster to the business of the companies and thereby to hurt the stock market through the slump in prices of all the iron and steel stocks, the big financiers set to work to save the situation. These men, greatest of them J. P. Morgan, were desirous of floating many new trusts in the big bull market for stocks, and therefore they saw the necessity of patching up the steel row. This was to be done in only one way—to unite conflicting interests into one company. And this was done.

The subsidiary companies of the Steel Trust are:		Capital.
The Carnegie Company		\$160,000,000
Federal Steel company		99,700,000
National Tube company		80,000,000
American Steel and Wire Company		90,000,000
National Steel company		59,000,000
American Tin Plate company		46,325,000
American Steel Hoop company		33,000,000
American Sheet Steel company.....		49,000,000
American Bridge company		62,300,000
Lake Superior Consolidated Iron Mines		30,000,000
Shelby Steel Tube company		13,000,000
Union Steel company		45,000,000
Troy Steel Products Company		1,100,000
Clairton Steel company		13,000,000

These companies have not lost their identity in the Steel corporation, but operate as individual concerns. Indeed many of them are composed of other companies which also work independently. While this is true, many of the great properties of the several companies have been merged under one head. This is the case with ore and transportation. Coke interests, the export department and certain other branches are also grouped under a single head, etc.

The two greatest criticisms against the Steel Trust have been that the public suffered through curtailed dividends on the common stock and the sug-

gestion that the employes were being taught to speculate through buying stock on the installment plan. Of the first criticism it must be said there is good foundation in fact. It is a notorious fact that the trust was floated with abundant water. Mr. Carnegie was paid \$447,416,640 for his company, an outrageously high price for a concern which though it earned \$40,000,000 the year of the trust formation, had shown net profits of only \$6,000,000 in 1896. Elsewhere the same watering process obtained. When poor times fell upon the iron and steel trade, as fall they always will, earnings declined from as high as \$13,000,000 a month to around \$3,000,000 a month. Had there been less "water" in the stock, the stockholders who had bought shares with the belief that dividends could be continued would not have lost their investments. Of the other criticism there is less to be said. It is the policy of the trust to set aside preferred stock for employes on something of an insurance basis and those who have continued steadfastly with the plan thus far have lost nothing and have promises of good investments.

The public interest in great industrial combinations seems to run in cycles, although the cycles are sometimes as short as the proverbial nine days which measure the lively interest in any subject. At one time it is the Ship-Building Trust, at another the Coal Trust, at another the Railway Mergers, at another the Beef Combine, and again the Steel Trust that arouses most general attention.

Steel is the material from which this industrial age builds its marvellous machinery, its great buildings, its railways and its steamships. Steel it is, on which many of our multi-millionaires have built their fortunes, fortunes which excel all wealth in the history of the world. The Steel Trust it is, the formation of which has done more than any other single influence to draw the attention of the people at large to the enormous consolidations of capital for the dominance of the industrial world, not alone in America but all over the globe. So it becomes of prime interest and importance to observe the progress of the industry and its products from the mine to the consumer.

There is a wide distance between the primitive miner and moulder of pre-historic times, with his rough furnace, his rude appliances, and the customers of his neighborhood, and the remarkable organization of mines, transportation facilities and manufacturing plants which now unite to form the great iron and steel interests. The United States Steel Corporation, as the Trust is officially entitled, with its capital of \$1,100,000,000, is by far the greatest organization in the world. And yet it does not include by any means all the branches of the industry in America and in foreign fields, in which other great organizations exist. Organized by J. Pierpont Morgan as prime mover, and including

such stockholders as Andrew Carnegie, John D. Rockefeller, Marshall Field and other national characters, the very volume of its capital and the diversity of its interests have made it world-famous. Its first president, Charles M. Schwab, was reputed to receive one million dollars a year salary, although it may be doubted whether this information was accurate.

The functions of this corporation include the mining of iron, the transporta-



A LAKE SUPERIOR REGION IRON MINE.

No other section of the United States and no other district in the world has shown such marvelous development or produced so much ore as the region embracing parts of Northern Michigan and Wisconsin and the northeastern portion of Minnesota. Whether in the same extent of territory elsewhere there may or may not be larger deposits of iron ore of equally desirable composition cannot be asserted, for it is by development that these great properties have become known and their reserves approximately determined. This region is unique in that its location is such that ore can be delivered to furnaces in a populous section of the country, and there meet a cheap fuel supply; in other words, its market facilities are unexcelled. It has been this which has chiefly encouraged its phenomenal development.

tion of it to its own mills of many different kinds and in many locations, and the manufacturing of it into almost every product of iron and steel that is demanded on a large scale, particularly railway rails, structural steel, bridges, armor plates, tin, sheet steel and tubes. It is readily seen that the ramifications of such an industry become world-wide.

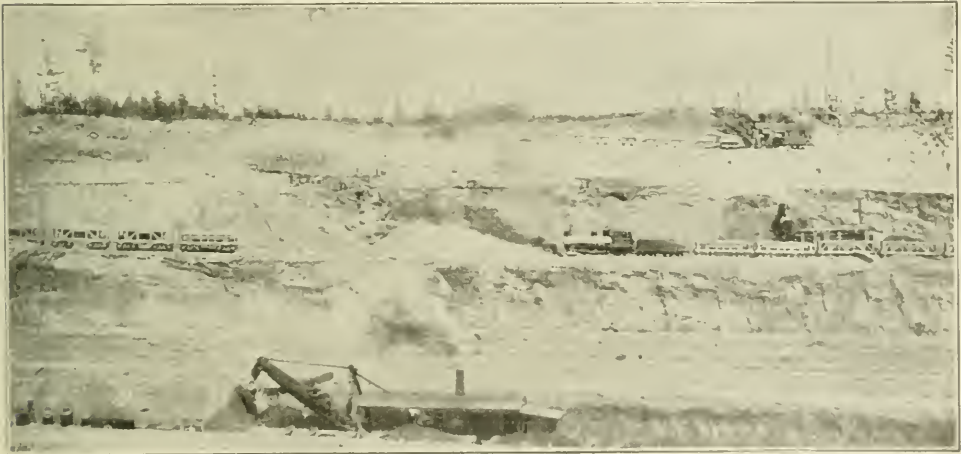
The processes of iron mining where ore is produced on a large scale, differ materially from those of coal mining or the mining of other metallic ores, such as gold, copper, lead or zinc. The most noteworthy iron region of the world is that around Lake Superior, in which the three states of Michigan, Minnesota and Wisconsin yield 76 per cent of all the 36,000,000 long tons of iron ore produced annually in this country. Minnesota alone contributes over 15,000,000 tons of the product, and Michigan follows with over 11,000,000. Alabama is the third state in production, yielding more than 3,500,000 tons annually, and then follow in succession Virginia and West Virginia, Tennessee, Pennsylvania, Wisconsin and New York, ranging from 1,000,000 tons down to 555,000 tons. The other sixteen states where iron is found commercially yields a total product, among them all, of 1,695,000 long tons. Comparing this product with that of other great iron ore producing countries, we find that our nearest competitor, Germany, produces but 18,000,000 long tons of iron ore annually and Great Britain 13,500,000 long tons, the Lake Superior region alone producing more ore than either of these countries.

The remarkable iron ranges of the Lake Superior region are peculiarly available because of their proximity to the great lakes, by which the product may be shipped directly and cheaply by large steamers to the manufacturing regions of Ohio and Pennsylvania where abundant coal is found and where great mills have been built. Three distinct iron ranges in Michigan have been recognized, all in the upper peninsula and trending east and west. These are the Marquette, Menominee and Gogebic ranges. The first shipments from these deposits were made in 1856. Bessemer, Ironwood, Hurley, Republic, Champion, Ishpeming, Negaunee and other towns in this part of the state and in the edge of Wisconsin have become famous the country over for the remarkable mineral wealth they have yielded. Escanaba, Manistique, Marquette and Ashland are the shipping ports on the great lakes, from which this product is sent.

Two iron ranges in Minnesota, the Vermillion and the Mesabi, lying north of Duluth, furnish the iron from this state. The most important mining points are Ely, Tower, Virginia, Hibbing, Eveleth and Biwabik. Their shipments are made from Duluth and Two Harbors.

Most of the iron ranges of the Lake Superior region can be worked by stripping of the surface deposits and useless vegetable mould and worthless mineral substances, and then digging the available ore from the open pits. This becomes quarrying rather than mining, as the word is generally understood, but though it may lack some of the more picturesque features of mining deep in the earth, it is much more convenient commercially, and makes the cost of the product far less than it would be by way of shafts and tunnels.

The brown ore is carried down to the lakes from the mines in an almost endless succession of trains, and dumped on ore docks or loaded directly upon vessels waiting for it. Scores of great cargo carriers ply from these ports on the upper lakes down to Lake Erie, carrying their store of Lake Superior iron ore for the Pennsylvania and Ohio furnaces. This single industry employs a very large proportion of the fleets on the great lakes. At the other end of their route they deposit the cargo once more upon the docks of the manufacturing town or into the railway cars that are to carry it inland to smelters and blast



From the United States Department of Commerce and Labor Reports.

MOUNT IRON MINE, MESABI RANGE, MINNESOTA.

The Vermilion range in Minnesota was opened in 1884—the Mesabi in 1892, and notwithstanding the fact that the ranges are farthest removed from the principal pig iron producing centers, the state contributed in 1902, 15,137,650 long tons of ore—a greater amount than was produced by the entire country according to the previous census of 1889. The photograph shows two stripping and three ore levels. The ore is won by means of steam shovels which place it directly on iron ore cars, in which it is hauled to the docks. Thus immense quantities of ore are cheaply and easily obtained. These mines show a larger production per employe than those of any other state.

furnaces. The processes of loading and unloading these cargoes between ship and train have become so perfected by the use of mechanical appliances, that thousands of tons may be handled within a very few hours.

The iron and steel industries of Pennsylvania so far lead all others that a view of them will serve to characterize the whole country. Annually the Keystone state produces sixty per cent of all the steel of the United States, fifty per cent of the pig iron, and more than forty per cent of the tin plate. The output of pig iron annually approaches 18,000,000 tons, with a value of more than \$50,000,000. The steel output is over 10,000,000 tons, and the total

value is about \$135,000,000. Blast furnaces, rolling mills, and steel mills of every variety help to bring wealth to the state. The crude iron ore as it comes from the mines is taken through all the necessary processes until it becomes the finished product for use in complicated machinery, for bridge building, or for building or railway construction.

The ore as it comes from the mine is mixed with earth, rock, sand and other mineral substances, which must be removed, and the first form it takes is that of pig iron, ready for the foundry. There is a melting room in which is a great cupola, cylindrical in shape, standing erect like a huge vertical boiler, and lined with fire brick. A coke fire is started in the bottom of the cupola, and on top of the fire is dumped a mass of iron ore alternating with lime and coke. There is a blast pipe beneath, through which a strong draft is driven, and a stack above from which the smoke and gases escape. The metallic iron melts out of the ore, by the action of the heat stimulated by the blast, and the lime takes up such impurities as cannot be removed by the heat itself. The metallic iron, melting, runs to the bottom of the cupola, where it accumulates in a liquid mass.

The floor of the great room is made of sand, in which long troughs are marked connecting with the main channel. When the iron is all melted in the cupola, a spout below is suddenly opened, and the molten mass flows out in a fiery stream. In these troughs of sand it cools gradually, and is broken off into proper lengths for convenient handling. This is pig iron.

The most complete manufacturing plants, however, convert their iron into steel directly, without permitting the pigs to cool, thus saving a second heating. Little cars lined with fire brick receive the melted iron and carry it to the top of another cupola, which is the steel-converting crucible. This is an even hotter blast, with steady currents of air and sometimes oil used to get the desired heat. Carbon, manganese and other chemicals that produce the different varieties of steel are added here. When the process is complete, to produce whatever qualities are desired, the contents of the cupola are received into moulds on the floor until cool enough to handle. The lump of metal is now a steel ingot.

If it is intended for railway rails, the moulds are picked up by cranes and tongs, and the ingot is delivered to a continuously-traveling platform or bed with projections sticking up from its chains. This passes it into the grip of a succession of great rollers, through which it is squeezed like a wet cloth through a laundry wringer, continually increasing in length and diminishing in thickness. At last it takes the familiar shape, and in a few hours from the time it left the cupola the iron ore becomes the finished railway rail.

CHAPTER XXIV

THE COPPER TRUST.

Copper—The Most Valued of All Minerals—Its Use as a Base in Supplying Electric Power—Ancient Races of People Used Copper in the Manufacture of Weapons and Pottery—The Tempering of It Considered a Lost Art—Mines Nearly Five Thousand Feet Deep—Ladder-ways into the Bowels of the Earth a Mile Long.



F. AUGUSTUS HEINZE,

Of Montana, who successfully struggled against the Copper Trust and Standard Oil interests.

STRICTLY SPEAKING, there is no such thing as a Copper Trust, though the Amalgamated Copper company which set out to secure a monopoly on the copper production of the world and failed, is understood generally to be this trust. This Amalgamated Copper Company stands out prominently before the American public for several reasons.

It was one of the first attempts at trust financing on a gigantic scale in which the public was asked to buy an enormous amount of "watered" stock at 100 cents on the dollar for the benefit of the money kings who duped the unsophisticated investors and speculators. It is today a shining example of how not to run a trust or capitalize a corporation.

For at its inception the Amalgamated Copper Company could control only about 20 per cent of the copper production of the world, and yet its aim was to advance the price of copper nearly 100 per cent and hold it there to make great profits on its "watered" and extravagantly overcapitalized stock.

It also is an example of the failure even of the well-nigh almighty

"Standard Oil" party to carry out to successful conclusions plans which might have made as absolute a trust in copper as was made in oil. But besides these causes for public interest in copper financing, Amalgamated Copper drew the fire of a shrewd stock speculator—Thomas W. Lawson of Boston—who, through a series of long-drawn-out articles on "Frenzied Finance" published in a popular magazine, aroused a great many people throughout the country over what purported to be an expose of the "Standard Oil" "System," and especially of the "Crime of Amalgamated."

In view of the fact that Lawson carried his attack upon "Standard Oil" to the point of trying to induce all the people of the United States to wreck the country by withdrawing all their savings from the banks, whether for good or bad it did not matter, makes it necessary here to state something of this so-called "expose." The attack began in the summer of 1904 and was carried on monthly for a long period.

Lawson had been a broker and did a few odd jobs for the "Standard Oil" party, among other things advertising in a sensational manner for "suckers" to buy Amalgamated Copper stock when it was first floated. Because of the methods he used Lawson could not keep his memberships on the several stock exchanges. When "Standard Oil" threw Lawson over as being "unsafe," the Boston stock plunger found means of drawing the attention of the whole American public to the vicious business ethics of the "System." This was done not only through his magazine articles on "Frenzied Finance," but by taking advantage of the publicity thus gained to announce the probable arrival of panics as the result of his crusade against the Rockefellers, Rogers and other financiers.

It took only a short time for Lawson to add to his good number of speculative followers a crowd of gamblers who would bet as he suggested. Several times when the New York stock market had been bulled to an extravagantly high price and all sane people were cautioning against such excesses, Lawson advertised panic, and prices broke to pieces. Nearly every time this was done Amalgamated Copper was one of the vehicles of attack. It is creditably supposed that Lawson made big winnings out of the gambling operations, though he blatantly offered all sorts of forfeits if any one could prove it.

One of the methods used to force a panic and cause people to lose money and to injure business was to send telegrams all over the country to stock brokers and to financial editors of newspapers.

While such tactics redounded to Lawson's financial interest and helped to circulate his magazine, they were of some positive value, perhaps, in arous-

ing in the public, which now was crying for the "square deal," the sense of some of their wrongs. As for the information imparted by the Lawson diatribes there was nothing which financial authorities had not known from the time "Standard Oil" tried to found a copper monopoly, and, indeed, nothing that had not been printed over and over again. Even the Lawson descriptions of the stock-watering of the Amalgamated Copper Company were so nearly like those given in the Boston News Bureau several years ago that they suggested plagiarism. Nevertheless the effects of the attacks were considerable.

Leaving Lawson we may start the brief history of the attempt to form a trust in copper by saying that when the "Standard Oil" party set out to create a monopoly John D. Rockefeller was not one of the men of the party. The mainstays of the company were William Rockefeller and Henry H. Rogers, both of them oil men and directly associated with the oil king, but more especially known for their financial operations, and stock market deals. These men with James Stillman of the National City Bank and others brought together the control or outright ownership of the Anaconda Copper Company, the Parrott Silver and Copper Company, the Washoe Copper Company, the Butte & Boston Consolidated Mining Company, the Boston & Montana Consolidated Mining Company, the Colorado Smelting and Mining Company and the Big Black Foot Mining Company. The par value of the stocks of these companies was nearly \$48,000,000. In order to acquire all the stock issues of four of them and mere control of four others the Amalgamated Copper Company floated \$155,000,000 of stock, considerably over \$100,000,000 of it being "water."

Now at the time this consolidation was effected—not to operate copper mines but to own companies that did—the copper production of the world was about 1,200,000,000 pounds and copper had been raised by artificial methods to 18½ cents a pound, whereas the normal price was about 12 cents a pound. It was the desire of those trying to form a trust to acquire such a great portion of the stocks of the producing companies of the world as to be able to restrict supply to the point where 22 cents a pound could be secured. This entailed the probable purchase of the great Rio Tinto mines of Spain, owned by the Rothschilds of European financial fame, the great Montana copper properties of F. Augustus Heinze and his associates, and perhaps the Calumet and Hecla of Michigan and the Greene properties of Mexico and Arizona.

One great drawback intervened. This was the bad blood between the Amalgamated party and the Heinze party of Montana. Litigation had been in progress over properties that were in dispute of ownership. Without the

control of the rich copper district of Butte the trust would fail. The two factions understood this well. Time and again efforts were made to bring an end to hostilities, but young Heinze knew the value of his claims and so did H. H. Rogers of "Standard Oil," only the latter never would give in, and Heinze was just as full of fight as his opponents. Litigation ran into legislative bribery. Newspapers were started by the opposing forces in order to swing public opinion. At the date of writing this fight still is in progress and Heinze has been victor in many of the suits.

Without the control of the Montana copper districts or the alliance of all the people who did control them it was impossible for the Amalgamated company to dictate the terms at which other concerns should sell their copper. The Amalgamated had piled up something like 200,000,000 pounds of copper in the attempt to push the price up to 22 cents. But this did two things, it threatened to check copper consumption and it tempted many new producers into the field. Furthermore one of the richest companies, the Calumet and Hecla, would not be dictated to. Indeed when the Amalgamated controlled production of only about 180,000,000 pounds of copper a year, it was suicidal to attempt to dictate the policy of American concerns that produced nearly 540,000,000 pounds. Five companies that were rivals to this proposed trust alone produced about half as much again as the Amalgamated. These were the Calumet and Hecla, the Greene Consolidated, the Rio Tinto, the United Copper and the United Verde Copper Companies. The policy of putting up the price of copper to an abnormal level resulted in an enormous increase in the production of copper and although consumption overcame this increase it was only after the Amalgamated had been forced to sell its accumulation of 200,000,000 pounds of metal at a great sacrifice.

This of course made the operations of the so-called trust unprofitable and here came in the principal sin of overcapitalization. We have shown heretofore that a promoter in starting a new corporation does not figure so much on what the assets of the company *COST* in setting a limit to the stock of the concern as he does on what these assets will *EARN*. Now, when the stock of the several companies that were merged into the Amalgamated were acquired, either in part or in full, it was figured that the Amalgamated could pay continuous dividends at the rate of 8 per cent a year on its enormous capitalization. The promoters simply figured that they had picked up bargains in great copper properties, that they could pick up more and more until a monopoly was secured and then continued dividends would justify the enormous "watering" of the stock. Competent critics at that time placed

the intrinsic value of Amalgamated Copper shares far below the \$100 a share for which they were sold through public subscriptions to the "lambs." And in very short order dividends were cut from 8 per cent to 2 per cent a year. Recently the price of copper has improved and the dividend on Amalgamated Stock has been put back part way—to 4 per cent a year.

The most serious charge against the "copper trust," therefore, is that it is no trust (monopoly) and that it watered its stock outrageously. On this score the Boston News Bureau has said: "Its intrinsic value is \$37.50 a share, and although it was sold to the public at \$100 per share and above, there never was a quotation of Amalgamated that did not show the "insiders" a profit. There were cellars and sub-cellars and cellars below in the formation of the Amalgamated; and even the underwriters who made more than \$10 a share out of the flotation have realized since that, instead of being on the ground floor, they are really not far from the roof upon which the public was landed."

John Moody in his "Truth About The Trusts" sums up the mistakes of "Standard Oil" in the copper field thus: "Could the plan have been carried to success, and a practical monopoly secured, instead of being criticized and condemned on every hand, as it has been for several years, the Copper Trust would, in course of time (if not by this time), come to be looked upon as one of the most brilliant demonstrations of modern business mastery and success. In the place of being pointed at as a speculative foot-ball and gigantic gamble, as it is at present, its stock would be regarded as a most conservative investment security. With aggressive and efficient business management there is no logical reason why, in time, it could not have assumed a large amount of additional "water" in the shape of new capitalization, and yet rank in the public mind and in the investment field with corporations as conservative and sound as the New York Central or Pennsylvania railroads. Had this been the case, public opinion toward the trust might have been far different from what it is today, and there probably would have been no occasion or opportunity for such criticism of the methods of the trust as that contained in a recent magazine issue entitled the "The Blind Pool," by Mr. Henry George, Jr.

"The attempt to secure such a monopoly, however, was too great a task even for these giants of finance, and, chiefly because of its magnitude, it broke down completely. Whether the attempt will be made again in this generation is problematical, but it seems certain that a time will come in the not far distant future when its feasibility will be far more demonstrable. In the present outcome, however, is embraced one of the most forcible demon-

strations given in this generation of the truth that no combine or trust can succeed under a load of "watered" capitalization, unless it possesses a monopoly (some legal or natural advantage) which tends, at least, to offset in value the amount of capitalized water. Trusts without water, or with but little, are sometimes eminently successful, it is true; but if they possess no monopoly element they are successful because of the efficiency of their service, and only because of that. The Copper Trust in its original organization was unfortunate in this respect: its prompters made the mistake of giving it a monopoly capitalization before it had secured a monopoly possession. It failed to secure the latter and therefore succumbed. The successful and businesslike method would seem to be the reverse—possession of monopoly first and capital expansion afterwards."

In the Bowels of the Earth—4,900 Feet Below the Surface of the Earth in a Copper Mine.

Scientists tell us that if one goes deep enough into the earth it may be demonstrated that the center of this world of ours is hot. Most experiments to prove this have been made by lowering automatic thermometers down deep artesian wells. But in the deepest copper mine in the world—the Calumet and Hecla—the proof can be had by contact with Nature itself in honeycomb-like tunnels that burrow through the bowels of the earth nearly 4,000 feet below the bottom of Lake Superior. When one remembers that this body of water itself is 1,000 feet deep, something of an idea may be conceived of the life of the Cornish miners who make a business of digging copper from this richest and deepest of all copper mines of the world.

But even this may not convey a definite enough picture of the industry that thrives like a bee-hive in a district forty miles long and fifteen miles broad in the upper peninsula of Michigan. Dozens of elevator shafts pierce this district. Electric locomotives bustle through tunnels and men push their carts along long galleries. Here electric lights, telephones, pump lines and fans to keep the mine clear of excessive heat or gases remind one of the modern conveniences above ground. Indeed thousands of men here live, eat and work nearer the center of the earth than ever before: governed by law after the manner of villages and protected by fire regulations as efficient as one finds in the up-to-date village.

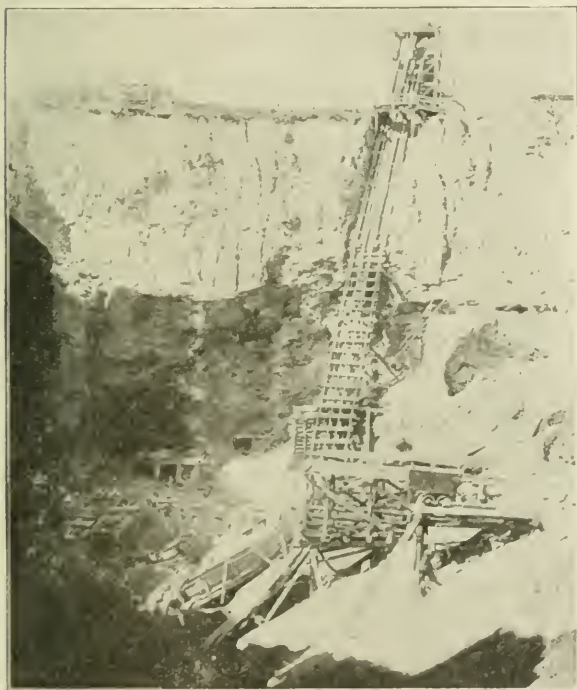
Entrance into this great human hive is through an ordinary shaft, ordinary in outward appearance, but one which reaches down a frightful distance. A

cable guided by pulleys from a huge drum extends down into the shaft and lowers cars a mile deep into the earth or raises them, at a moderate speed when there is a human load of freight, but as fast as a mile a minute when copper ore is being hauled up to be marketed later in the form of wire, sheets, tubes, etc. So fast and so accurate are the engine and the engineer that operate this cable and the "skips" that it is on record that a car loaded with ten tons of

ore traveling at the rate of 55 miles an hour was brought to a dead stop in the shaft in a distance of seventy-five feet.

When the "skips" bring up their load of copper ore from the mine, they are dumped automatically into a "breaker" where the rock is broken up in sizes small enough to go to the mill. This shaft of the mine has six compartments, four for traffic and one for cables and pipes for telephones, electric light, steam, water and compressed air. Another compartment has a ladder-way extending to the bottom of the mine. This is for safety in case of a break in the hoisting machinery. This ladder-way a mile long is made up of many ladders with landing places so that workmen may rest going down or coming up.

Besides the central vertical shaft, there are sixteen others, the longest incline-shaft being 8,100 feet long,



From the United States Department of Commerce and Labor Reports.

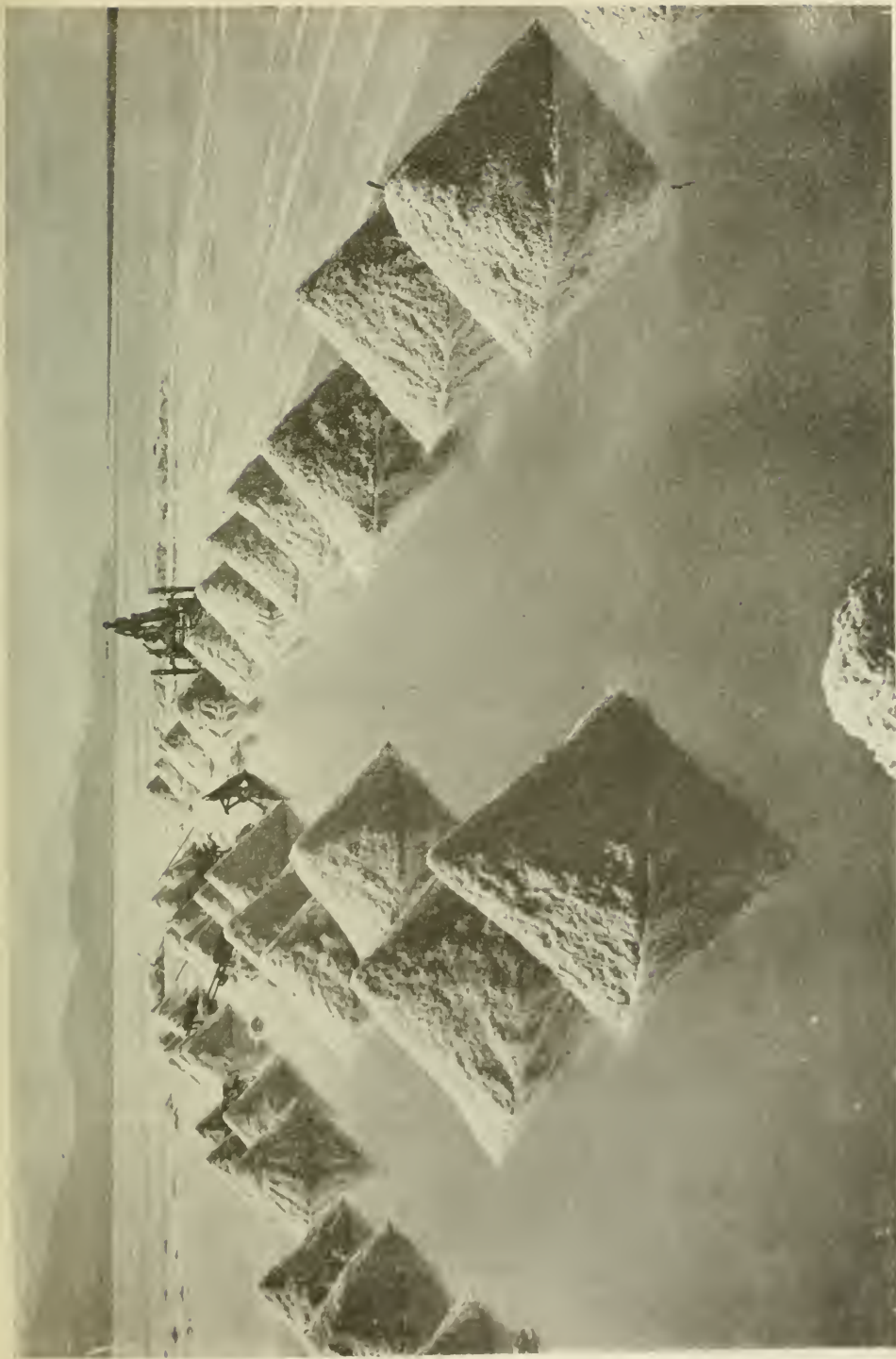
NO. 2 PIT, ADAMS MINE, EVELETH, MINNESOTA.

Showing the incline plane bottomed in ore, while in the left of the illustration are seen the tunnels which are run back in the ore. Minnesota shows a phenomenal and practically an uninterrupted advance in the yearly output of ore. This naturally leads to attention to the record of the manufacture of pig metal. For the production of the quantity of pig metal credited to the United States in 1902 there were required about 30,000,000 tons of bituminous coal (the larger part of which was converted into coke) and about one million and a half tons of anthracite coal. In addition to mineral fuel about 38,000,000 bushels of charcoal were consumed in blast furnaces. About 32,000,000 tons of iron ore were fed to the furnaces, and the flux necessary to carry away the impurities of the ores is estimated at about eight and a half million tons. Therefore, to supply the blast furnaces of the United States in 1902, which produced nearly 18,000,000 tons of pig iron, there were required about 73,000,000 tons of raw materials.

reaching down to a depth of 4,900 feet. Roller-boys, whose work it is to keep the rollers in the inclined shafts oiled and in repair, often slide down the cables to save time in going into the depths of the earth.

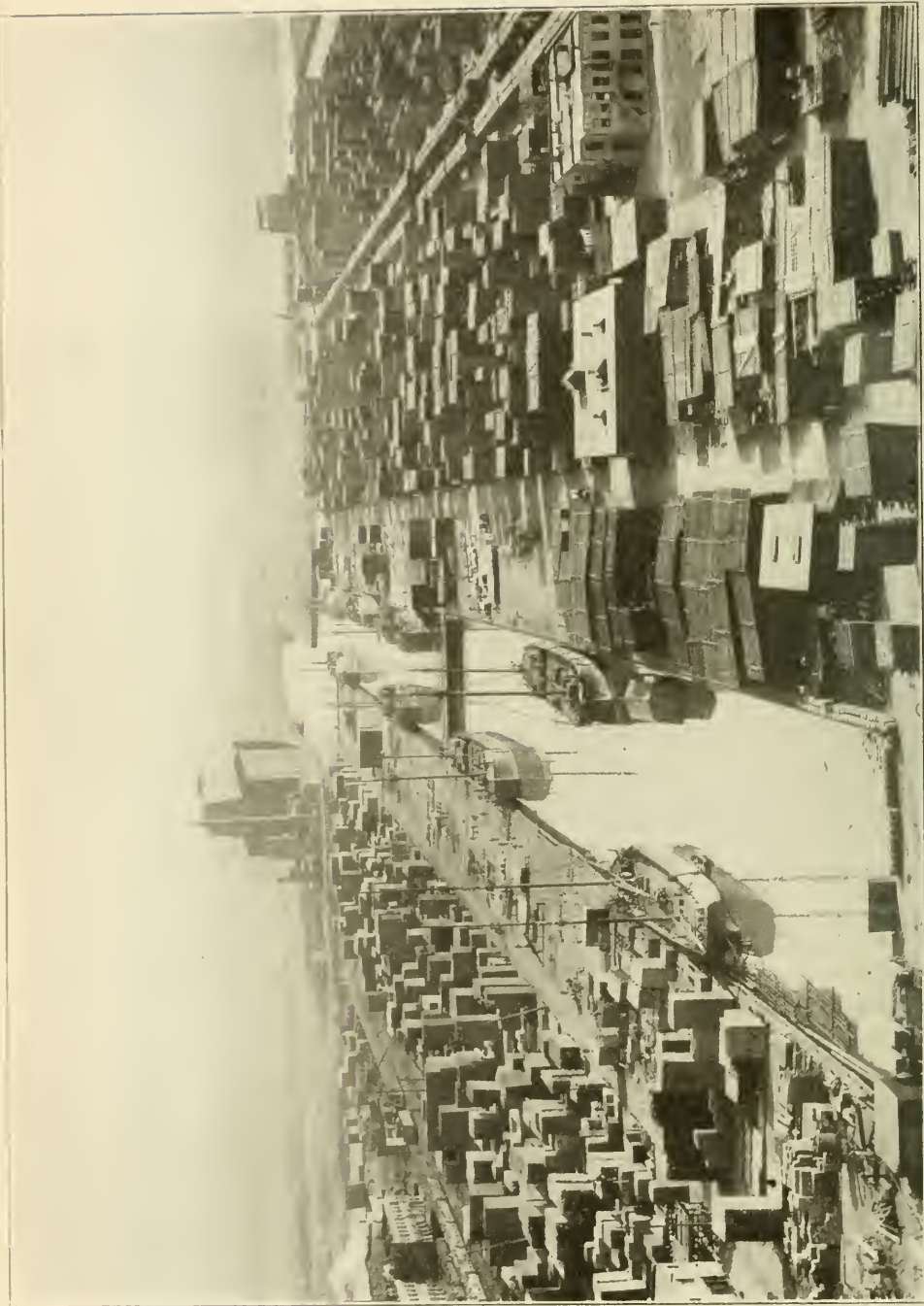
Every day this great mine can produce 12,000,000 pounds of copper rock and it nearly always is working full capacity. The "skips" dump the rock from the shaft into "grizzlies" in which it is crushed small enough to fall through to railway cars by which the rock is carried away to a place four miles away where it is reduced to sand, the copper extracted and the powdered rock raised on a big sand-wheel and dumped into Lake Linden. When business is very heavy the cars used to carry the miners are lifted out of the principal shaft and "skips" are put in their place. Thus for a time the men are imprisoned in the bowels of the earth. The mine is run by day shifts and night shifts, so that work is under way almost constantly. One of the most expensive features of this mine and copper mining in general is the timber work. This mine company uses 30,000,000 feet of lumber a year. The presence of so much wood makes fire-fighting appliances necessary. All the big mines are thus supplied. Fire-doors are placed in various parts of the mines so that they may be closed when fire breaks out. The timber even is fire-proofed. Electric fire signals also are in use. In 1900 a bad fire occurred and it took three weeks to smother it out.

The temperature of the shaft at the bottom is as warm as that on the surface in summer. The walls are distinctly warm to the touch. There are fans at the surface which are used to draw up dead air and fresh air rushes down other shafts to fill the vacuum. Professor Agassiz of Harvard in testing the heat of the temperature in the Calumet and Hecla buried a number of recording thermometers in holes drilled ten feet into the rock which were plugged up with clay. Readings were made every three months. At the depth of 4,500 feet the temperature was found to be 79 degrees Fahrenheit. The veins of copper in this mine are very rich, sometimes pure copper being found in such big chunks that it is not profitable to chisel it in pieces small enough to bring to the surface.



A REMARKABLE SALT FIELD IN SOUTHERN CALIFORNIA.

There is nothing more universally required by man or beast or easily found than the simple substance we call salt. In some form or another it is found everywhere. The manner of obtaining it differs as widely as do the localities in which it is found. In Southern California near the Mexican boundary is a thousand-acre field of crystallized salt some 300 feet below the level of the sea. The salt exists as a crust over the surface, constantly supplied by salt springs which flow from surrounding hills, evaporate, and leave deposits of a most pure salt. Although only about ten acres are worked at this time 700 tons of salt is plowed and shipped each year. The work is done by Indians and Japanese. No white man can stand the intense heat.



BIRD'S-EYE VIEW OF THE LARGEST LUMBER YARDS IN THE WORLD.

This view was taken from a tower 200 feet high and shows three large lumber yards covering 45 acres and a water frontage of over one mile. The piling (over 1,000 in number) are 60 feet long and appear like a bundle of matches. This gives one a comparative idea of the enormous size of the plant.

CHAPTER XXV

SOME OTHER BIG TRUSTS.

Tobacco Merger—Whisky Trust—Peoria County, Illinois, Pays One-fifteenth of All the Government Expenses in Internal Revenue Tax—Some Trusts That Went Wrong—The Ship-building Bubble—Men Who Fail—Why Men Fail—Coal Mining.

TOBACCO.—When trust promoters and financiers try to monopolize a business in which it is easy to start new competition the trust in that industry must do one of two things, either absorb all the competing plants as they spring up, or settle down to do business on the competitive basis. When the trust starts out with a great deal of "water" in its stock it is pretty hard work to do business on the latter plan. This has been the keynote in the history of the Tobacco Trust. "Watered" from the beginning, this trust has been forced to absorb competitors as fast as they arose or else lose its grip on the tobacco monopoly both in America and Europe. But once having secured about 90 per cent on the trade in American and about 50 per cent of the foreign trade the Tobacco Trust has been able to go on raising prices and paying dividends at such a liberal rate that in fifteen years it has been able to increase its capital from about \$25,000,000 to about \$600,000,000, much of it "water."

The parent company of the Tobacco Trust is the American Tobacco company, organized in 1904 for the purpose of "cutting a melon," or adding about \$34,000,000 "water" to the stock of the trust which had formerly been controlled by other companies, and incidentally of merging several of these companies into one concern. Before that time the principal companies of the trust were the Consolidated Tobacco company, American Tobacco company (old), Continental Tobacco company, Amer-



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A CORNER OF A VAULT STORED WITH RETIRED BONDS OF THE TOBACCO COMPANIES ENTERING INTO A MERGER UNDER THE NAME OF THE AMERICAN TOBACCO COMPANY. EACH BOND REPRESENTS A VALUE OF \$1,000.

ican Cigar company, American Snuff company, Havana Tobacco company, British-American company, Ltd., American Stogie company, International Cigar Machinery company and United Cigar Stores company. These different companies handle different branches of the trade, such as plug tobacco, cigarettes, snuff, cigar making and retailing, etc.

The path of the Tobacco Trust organizers was by no means an easy one. As had been indicated, many companies entered into competition in order to



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CLERKS AT WORK ON THE DETAILS OF THE TOBACCO MERGER CARRIED THROUGH BY THE MORTON TRUST COMPANY.

Clerks at work on the details of the merging of the Consolidated Tobacco Company, American Tobacco Company and the Continental Tobacco Company, into a compact corporation under the name of the American Tobacco Company, at the offices of the Morton Trust Company, New York, whose president is Levi P. Morton, former Vice-President of the United States. The new securities of this corporation amount to the enormous sum of \$255,000,000. To guard against mistakes, which would be awkward in cases involving millions of dollars, every security passed through at least a dozen hands and processes of verification. Every certificate issued for the deposit of bonds and stock had to bear the authentic signature of two officers of the Morton Trust Company. These signatures to the 314,756 bonds alone, at six signatures per minute, making 360 per hour, a working-day of seven hours of steady work uninterrupted would permit of the signature of 63,000 receipts and the entire job would be completed in about two and one-half months. This represents, however, only a small part of the signatures required, for it did not include the 2,000,000 odd shares of the common stock and preferred stock nor the final signatures on the new stock issued.

force the trust to buy them out at a fancy figure. From a modest combination of eastern manufacturers the trust grew until it encountered foreign opposition. The trust's foreign company went so far as to offer its entire foreign profit up to \$1,000,000 a year to foreign retailers if they would buy its goods for four years. This was made to counteract offers of bonuses by foreign con-

cerns to such foreign retailers as would undertake not to sell American goods for a term of years. The outcome eventually was for a settlement whereby the Tobacco Trust dominated the trade of nearly all the world. The difference between the Tobacco Trust and the so-called Copper Trust is that the former has carried out its program and the latter has not.

SUGAR.—Of all the trusts there is none—unless it be Standard Oil—that is run on more of a “this-is-my-business” sort of a program than the Sugar Trust. And well may it do so, for its affairs are so closely woven with national politics that it can get almost any favor it likes from Congress. Moreover, in addition to these special privileges of high tariff, it has a strong enough element of natural monopoly in the control of raw materials to dominate some say, as high as 90 per cent. of the sugar trade. This trust is known officially as the American Sugar Refining company, dominated by Henry O. Havemeyer and capitalized at \$90,000,000. This is the successor of the Sugar Refineries company, and though it does not control absolutely itself the monopoly in the raw sugar, refined sugar cane and beet sugar, through its many ramifications it practically accomplishes this end.

This trust was not without its competition also. In 1889, shortly after the formation of the Sugar Refineries company, Claus Spreckels, of Philadelphia, Arbuckle Bros. and Claus Doscher of New York and others began to fight for a bigger percentage of the sugar trade. Prices were cut again and again to below cost. Eventually consolidations were effected. Later, when beet sugar began to be manufactured extensively the American Beet Sugar company arose to try conclusions with the trust. For several years it operated as a rival, but the trust soon bought it up.

The Sugar Trust has been eminently successful in the matter of paying dividends. But it has been the policy of the company never to issue statements of its business. In Massachusetts there is a law which forces any company doing business in that state to present a yearly balance sheet, and this the Sugar Trust does. This concession to the fair cry for publicity by corporations which are operated upon the savings of the public discloses little. President Havemeyer objects to giving information to his stockholders at large on the exact financial standing of the trust from time to time, lest it be “giving to competitors information about corporate affairs.”

STEAMSHIP TRUST.—One of the sorriest examples in trust financing is that of J. P. Morgan's attempt to secure a monopoly of the sea transportation between America and Europe. In 1902 just at the culmination of the period of most successful stock “watering” and trust making, Morgan and his allies

incorporated the International Mercantile Marine company with authorized capital and bonds of about \$195,000,000 par value. This company was formed as a consolidation of the six principal transatlantic steamship lines, the White Star Line, Red Star Line, American Line, Atlantic Transport Line, Leyland Line and Dominion Line.

The intention was to absorb the Cunard Line, one of the most progressive of the steamship companies, but this failed. Here was a weak spot in the Morgan plans. At once the Cunard Line took measures to protect its business against the Morgan combination. Plans were set on foot to form an anti-Morgan combination including prominent British lines. On the other hand Morgan reached out for the German lines. Then the Royal Mail Steamship Company started to affiliate with the other British lines against Morgan's project and a Canadian line was planned, backed by the Canadian Pacific railway, looking toward the same end.

About this time there arose in England a great hubbub over the effect the trust would have on independent lines like the Cunard. As an outcome the British government gave the Cunard Line a ship subsidy of \$750,000 a year. Subsidies had already been given other British lines in the trust but the British government gave notice of discontinuing them. Then the Cunard Line, which had been party to a passenger agreement before the incorporation of the trust, cancelled it. At once there arose a war of rates which was carried on for some time.

In the meanwhile, even before the underwriting syndicate which took charge of \$50,000,000 of the trust's securities had finished its work, the prices of the Mercantile Marine stocks and bonds began to fall, thereby causing great discontent. The work of the underwriters was a flat failure because of the approach of financial stress in the stock markets of the country. Indeed the \$170,786,000 of securities issued fell in price to about \$70,000,000, showing a decrease of \$100,000,000. What the outcome of the Steamship Trust will be is problematical: much depends upon whether the Morgan plans, which obviously were not carried out to their logical conclusion, will be revived with better results. At present the great fault with the trust is its lack of monopoly or special privilege.

SMEETING TRUST—Under this title are embraced interests capitalized at about \$300,000,000 which treat ores, lead bullion and copper bullion, operate mines, linseed oil works, white lead works, etc. The Standard Oil party is greatly interested in the trust, but outwardly the great family of Guggenheims are the leading spirits. Chief of the companies which make up the Smelting

Trust are the American Smelting and Refining company and the American Smelters Securities company, both officered principally by the Guggenheims. These concerns operate the principal smelting plants, shot towers and similar works in the country, besides controlling vast mineral resources now under development. Closely affiliated with these are the American Linseed company, whose business is the manufacture of linseed oil, raw, boiled and refined varnish, oil cake, oil meal, and crushed flaxseed. Working in harmony with the foregoing are the National Lead company and the United Lead company. The history of the Smelting Trust shows excellent profits in many of its branches. Here, as in many other trusts, there was the attempt to discount the future by piling up the capitalization to unreasonable heights, but in view of the fact that these concerns control the industry almost to the point of monopoly, their position is changing. It is believed now that it would take a very powerful combination to enter the field of the Smelting Trust with any degree of success.

WHISKEY TRUST.—Like the Tobacco Trust, the Whiskey Trust has seen a great deal of competition and in order to secure anything like a monopoly in its field it has had to buy up many competitors. Today the corporate form of the trust is the Distillers' Securities corporation, with \$32,500,000 stock and \$14,261,000 bonds. This company controls 90 per cent. of the stock of another concern—the Distilling Company of America, which in turn controls the several companies engaged in the manufacture of spirits. The secondary company is well loaded with "water," having out over \$75,000,000 of stock and \$2,580,000 bonds.

One of the reasons why the Whiskey Trust has a moderate monopoly in its field of business is that it has certain tariff benefits. To all appearances these benefits come because the government gets much of its revenue from taxing whiskey, spirits, alcohols, etc. Indeed, Peoria County, Illinois, where six great distilleries of the trust are located, hands over from \$34,000,000 to \$36,000,000 yearly to the government on internal tax payments. This alone pays about one-fifteenth of the business expenses of the United States. Peoria County pays the government enough money to build a warship every month. The county also pays enough to cover the expense of all river and harbor improvements. Its contributions form a highly important and essential part in the matter of Uncle Sam's receipts and enable the government to make a satisfactory showing on the income sheet each year.

The largest distillery in this county is the Great Western. Its capacity is 65,000 gallons of spirits a day. To operate this one distillery necessitates the use of the corn from four hundred acres of land, averaging 40 bushels to the

acre. If all six of the Peoria distilleries run at one time, it takes the entire product of 1,000 acres of farm land to supply a single day's material. An average of 2,000 barrels of whiskey is made each day, and two trainloads are shipped out each evening. Probably but a quarter of this amount is disposed of by saloons at retail, as thousands of barrels of spirits go into the manufacture of smokeless powder. Immense quantities also are used for compounding patent medicines, for extracts, for essences, in the arts and by colleges and schools for preserving specimens.

More gin is made in Peoria than at any other place in the world. Juniper berries are imported, distilled with spirits, and made into gin in immense quantities. Whiskies are "aged" in short order and are "blended" in many ways. In fact, anything in the drink line can be made there, but the basis is always honest Illinois corn. In one month the rectifying establishments can turn out whiskey that purports to be "20 years old."

Some Other Trusts.

Capital and Bonds.

Acolian-Weber Piano and Pianola Co., "Piano Trust".....	\$ 10,000,000
American Agricultural Chemical Co., "Fertilizer Trust".....	40,000,000
American Brake-Shoe & Foundry Co., "Brake-Shoe Trust".....	5,446,000
Allis-Chalmers Co., "Machinery Trust".....	50,000,000
American Can Co., "Tin Can Trust".....	88,000,000
American Caramel Co., "Caramel Trust".....	2,400,000
American Car & Foundry Co., "Car Builders' Trust".....	60,000,000
American Cement Co., "Cement Trust".....	2,825,000
American Chicle Co., "Chewing-Gum Trust".....	9,000,000
American Cotton Oil Co., "Cotton Oil Trust".....	37,799,400
American Fork & Hoe Co., "Farming Tool Trust".....	4,800,000
American Glue Co., "Glue Trust".....	2,400,000
American Graphophone Co., "Phonograph Trust".....	5,500,000
American Grass Twine Co., "Grass Twine Trust".....	25,025,000
American Hide & Leather Co., "Upper Leather Co.".....	42,837,000
American Hominy Co., "Hominy Trust".....	4,271,000
American Ice Co., "Ice Trust".....	41,970,000
American Locomotive Co., "Locomotive Trust".....	51,237,000
American Pneumatic Service Co., "Pneumatic Tube Trust"....	16,600,000
American Malting Co., "Malt Trust".....	33,810,000
American Radiator Co., "Steam Radiator Trust".....	10,000,000
American School Furniture Co., "School Furniture Trust".....	11,500,000
American Seeding Machine Co., "Seeding Machine Trust".....	15,000,000
American Sewer Pipe Co., "Sewer-Pipe Trust".....	9,533,000
American Shipbuilding Co., "Great Lakes Shipbuilding Trust".	30,000,000

American Stove Co., "Gas Stove Trust".....	5,000,000
American Thread Co., "Thread Trust".....	18,000,000
American Type Founders Co., "Type Foundry Trust".....	6,900,000
American Woolen Co., "Wool Trust".....	65,000,000
American Writing Paper Co., "Writing Paper Trust".....	42,000,000
Associated Merchants Co., "Dry Goods Trust".....	20,000,000
Borden's Condensed Milk Co., "Condensed Milk Trust".....	25,000,000
Butterick Co., "Paper Pattern Trust".....	12,600,000
Cascin Company of America, "Milk Sugar Trust".....	6,500,000
Central Leather Co., "Leather Trust".....	125,000,000
Central Foundry Co., "Soil Pipe Trust".....	17,863,000
Chicago Pneumatic Tool Co., "Pneumatic Tool Trust".....	9,800,000
Corn Products Co., "Glucose Trust".....	89,612,000
Diamond Match Co., "Match Trust".....	5,250,000
Distillers Securities Corporation, "Whiskey Trust".....	46,761,000
General Chemical Co., "Chemical Trust".....	25,000,000
General Electric Co., "Electric Supplies Trust".....	50,000,000
Great Western Cereal Co., "Oatmeal Trust".....	4,200,000
International Harvester Co., "Harvester Trust".....	120,000,000
International Nickel Co., "Nickel Trust".....	34,000,000
International Paper Co., "Print Paper Trust".....	62,000,000
International Power Co., "Compressed Air Trust".....	8,225,000
International Silver Co., "Silverware Trust".....	26,000,000
International Steamship Co., "Steam Pump Trust".....	36,000,000
National Biscuit Co., "Cracker Trust".....	56,000,000
National Candy Co., "Candy Trust".....	10,000,000
National Carbon Co., "Carbon Trust".....	10,000,000
National Car Wheel Co., "Car Wheel Trust".....	4,404,000
National Enameling and Stamping Co., "Stamped Ware Trust".....	32,000,000
National Fireproofing Co., "Terra Cotta Trust".....	12,500,000
National Glass Co., "Glassware Trust".....	10,000,000
National Novelty Corp., "Toy Trust".....	5,000,000
Otis Elevator Co., "Elevator Trust".....	13,000,000
Pullman Co., "Palace Car Trust".....	74,000,000
Quaker Oats Co., "Cereal Trust".....	13,000,000
Railway Steel Spring Co., "Car Spring Trust".....	13,500,000
Royal Baking Powder Co., "Baking Powder Trust".....	20,000,000
Standard Milling Co., "Flour Milling Trust".....	17,500,000
Union Bag & Paper Co., "Paper Bag Trust".....	27,000,000
Union Typewriter Co., "Typewriter Trust".....	20,000,000
United Box Board & Paper Co., "Strawboard Trust".....	31,000,000
United Fruit Co., "Fruit Trust".....	23,700,000
United Shoe Machinery Co., "Shoe Machinery Trust".....	25,000,000
United States Cast Iron Pipe and Foundry Co., "Cast Iron Pipe Trust".....	31,500,000

U. S. Envelope Co., "Envelope Trust".....	7,222,000
U. S. Gypsum Co., "Gypsum Trust".....	8,500,000
U. S. Realty & Improvement Co., "Skyscraper and Building Trust".....	60,000,000
U. S. Rubber Co., "Rubber Shoe and Goods Trust".....	50,000,000
U. S. Bobbin & Shuttle Co., "Bobbin and Shuttle Co".....	2,000,000
Virginia-Carolina Chemical Co., "Phosphate Trust".....	64,500,000
Westinghouse Properties, "Electrical Supply Trust".....	43,000,000

Some Trusts that Went Wrong.

There are many examples of trusts that have not been successful because they did not have enough of the monopoly in their particular industry or a special privilege of some kind great enough to insure profits on the great waves of "water" that were injected into the capital stock. Some of these so-called trusts have been forced to reorganize time and again. Recently several of these were put through the process of "scaling down" their stocks and bonds, that is squeezing the "water" out of the inflated capitalization, in order to exist at all. Among these a recent example is the United States Realty and Construction company, or the Realty or Building Trust, which builds and owns many great skyscrapers and which had to reduce its \$66,000,000 of capital, which sold as low as \$16,000,000 in the market, down to \$16,000,000 stock and \$13,000,000 bonds of a new company, the United States Realty and Improvement company.

The American Malting company, or Malting Trust is another example. It started out with about \$25,000,000 stock, and later increased this, paid dividends when they were not earned, piled up a big debt which was hidden for a time by alleged erroneous entries in the company's books and eventually, through suits by stockholders, forced directors to repay the dividends improperly declared.

The General Asphalt company or Asphalt Trust, celebrated because of its political troubles in South America where it controls great asphalt beds the ownership of which is disputed by South American politicians, is another trust that went wrong and had to be reorganized. This trust started out as the Asphalt Company of America with \$30,000,000 stock and \$30,000,000 bonds and with glowing promises of big dividends. This company was to take over a number of prominent asphalt and paving concerns which bid fair to do a good business under the consolidation. But the American company could not pay all its bond interest, to say nothing of dividends. So the National Asphalt Company was organized to acquire the Asphalt Company of America and other

concerns. This company had \$6,000,000 bonds and \$22,000,000 capital. This, however, was not profitable and the companies went into the hands of a receiver. This crash was due, it is said, to a loss of large paving contracts in several cities and to the expensive war waged for the pitch lake in Venezuela known as La Felicidad. Under the receivership it was learned that enormous overvaluations had been placed on various plants absorbed by the trust in order to "water" the stock. In one case, the Columbia Construction company, which cost \$250,000, was paid for with an issue of \$2,000,000 of bonds. Much litigation followed, but ultimately the General Asphalt company was forced to take over the other concerns, squeeze out "water" and try it all over again. The capital of the new company, par value, is \$31,000,000.

Of all the recent financial bubbles blown and burst that of the Shipbuilding Trust, of the United States Shipbuilding company as it was legally known, was the most calamitous. The ostensible object of this company was to buy up the principal shipbuilding companies of the United States economically and earn great profits. It appears, however, that the real object was to sell a flood of "watered" stock to an unsophisticated public, wreck the trust and live serenely ever after with the wealth thus made in a night.

The charges and countercharges made against the promoters of this trust when it went into the hands of a receiver sullied some of the proudest names in American finance.

Briefly, the company started with \$20,000,000 capital and \$9,000,000 bonds to acquire plants which other promoters had figured on capitalizing at \$63,000,000. Thus it appeared that the financing was conservative. But it was not. Very soon it was announced that the company would buy the great Bethlehem Steel company, owned by Charles M. Schwab, protege of Andrew Carnegie and first president of the Steel Trust. This plan necessitated new capital. This Bethlehem Steel company was capitalized at \$15,000,000, par value \$50 of which only \$1 a share had been paid in. It guaranteed 6 per cent. on \$7,500,000 of the stock of the Bethlehem Iron company, which it had leased for 999 years. This Bethlehem Steel company owed at the time the Shipbuilding company purchased it \$8,851,000. This indebtedness the Shipbuilding company assumed and then paid for the Bethlehem company \$20,000,000 in stock and \$10,000,000 in bonds. This brought the trust's capital up to nearly \$80,000,000.

In a very short time it developed that the Trust Company of the Republic of New York City, which was the principal underwriter of the bonds of the company offered for sale, had to fail. This was said to be due to the failure

of French subscribers to the bonds to stand by their purchases. But shortly also it appeared that the trust could not earn what it had said it could. In order to secure the Bethlehem company Schwab had been given the right of voting on the \$10,000,000 bonds paid him besides the voting right of \$20,000,000 stock. The total stock issue of the trust was \$45,000,000, so that Schwab had gained actual control of the whole company when selling his Bethlehem plants.

Now, the trust depended upon the Bethlehem plants to earn money and pay it over in the shape of dividends so as to net the trust a profit. What actually happened was that Schwab's agents in control of the Bethlehem company, through being in control of bonds and stocks of the trust, made great special expenditures and refused to pay dividends when demand was made upon them by Lewis Nixon, president of the United States Shipbuilding company. Collapse came very soon. All sorts of exposures came when the trust went into the hands of a receiver. Among other things it was charged that the prospectus of the company when its securities were floated was misleading, to say the least. Seven plants alone on the books of the trust when they were opened, valued at \$3,278,798, were revalued at \$1,828,431, every plant showing a reduction and all showing a reduction through overvaluation of \$1,450,367. The Bethlehem Steel Corporation eventually succeeded the bankrupt trust, having \$30,000,000 stock and \$3,000,000 bonds.

At the time of the receivership of this trust the New York Evening Post printed two editorials which expressed public opinion at that time quite accurately. One wound up with this rebuke:

"The question is, whether paper inflation of this sort was the kind of business in which the gentlemen had any right to be engaged. As the affairs turned out, efforts to foist the shipyard shares on the public very generally failed. It did not, however, fail for the want of false statements to the public. What we feel bound to ask is, what Mr. Schwab would have done with his \$10,000,000 common and \$10,000,000 preferred if the fish had swallowed the bait. Let us imagine the simple public bidding for shipyard stock at a valuation fixed by belief in the organizers' prospectus; what then? To us the most serious thing about the whole financial scandal is the easy conscience which it shows financiers in places of great trust to have possessed in their attitude toward the public. It is conceivable that Mr. Schwab, like many others of our newly made 'multi-millionaires', shares in the late delusions regarding paper capital and really believed that riches could be got overnight, without hurting anybody else by merely substituting thirty for nine millions in a

balance sheet. But this, we must confess, is a sort of simplicity which we should greatly regret to see in the practical leaders of American industry."

The other editorial was a comment on the career of the late Whitaker Wright of London, who had robbed the public right and left through stock jobbing methods and when sentenced to imprisonment had committed suicide in the courtroom. This comment ran:

"No man who examines his career can resist the conclusion that he was guilty, first of dishonesty, secondly of being caught. He obtained money for what was worth little or nothing, and he was overtaken by the detectives from Scotland Yard. In point of essential morality, however, his case differs in no respect from that of the promoters of the Shipbuilding Trust—to take one striking modern instance. That buccaneering cruise into the sea of public credit began with a prospectus, which, like Wright's, was stuffed with lies. The capital, as in Wright's companies, contained much water: that is paper certificates, entitling the holders to their portion of nothing. The promoters were, as in Wright's corporations, to receive a lion's share; and hard and fast agreements were drawn to enable the insiders to pocket their profits and clear out early in the game. The Shipbuilding Trust, like the London and Globe Company, relied upon names of men who were supposed to embody our highest commercial ideals. But there is one vast difference between the case of Wright and that of some of our leaders of high finance: he was amenable to the severe English Companies' law. He transgressed it, he paid the penalty; and a thousand preachers will use his fate as a text. Our transgressors of the same moral law walk in the free air, lavish in their philanthropies, lauded from the pulpits as exemplars for our youth."

Men Who Fail.

It is a pet saying in commercial circles that 95 per cent of all men who embark in business fail. This is not correct. A great many people do not make a success of their business projects but people who fail, that is fail to pay their legal debts, in a period of 25 years never amounted to more than $11\frac{1}{2}$ per cent of those in business. Sometimes the average ran as low as six-tenths of one per cent of those in business.

The following figures compiled by Bradstreet's Journal are the proof:

	Number in business.	Number failing.	Per Cent. failing.
1903	1,273,000	9,768	.76
1902	1,238,973	9,971	.80
1901	1,207,898	10,657	.88

1900	.....1,161,000	9,913	.85
1899	.....1,125,000	9,634	.85
1898	.....1,093,000	11,638	1.06
1897	.....1,086,000	13,099	1.20
1896	.....1,080,000	15,112	1.40
1895	.....1,054,000	13,012	1.23
1894	.....1,047,000	12,721	1.21
1893	.....1,050,000	15,560	1.50
1892	.....1,035,000	10,270	1.00
1891	.....1,010,000	12,394	1.22
1890	.....989,000	10,673	1.07
1889	.....978,000	11,719	1.20
1888	.....955,000	10,587	1.10
1887	.....933,000	9,740	1.04
1886	.....920,000	10,568	1.15
1885	.....890,000	11,116	1.25
1884	.....875,000	11,600	1.32
1883	.....855,000	10,299	1.20
1882	.....820,000	7,635	.93
1881	.....780,000	5,929	.76
1880	.....733,000	4,350	.60
1879	.....703,000	6,652	.94

The kind of failure which means failure to succeed in business is not so accurately tabulated. But the same authority shows that in 1903 there were 284,393 names erased from Bradstreet's record while 322,006 new names were added. Some of these that retired doubtless failed outright; others failed to succeed, and others probably branched out in the new business reported. The significant thing about these business failure statistics, however, is that the old commercial proverb quoted above is proved erroneous.

Why Men Fail.

All business men watch with a great deal of interest the figures that are announced from time to time by credit guide companies concerning the failures of business men or corporations. This is one of the principal guides to sound business, for in the aggregate these figures show the tendency of business conditions to improve or decline and individually they show what men have failed and what localities are suffering most from bad business methods. When it is said that during 1904 there were 10,417 individuals, firms and corporations who suspended business owing to outside creditors and who owed more than they could pay and that these businesses had \$75,691,332 of assets and almost double

the amount of debts, or \$143,648,351, it will be seen how important a matter is up for consideration by the business man.

The authority quoted in foregoing says there are eleven separate and distinct causes for failures, grouped under two general classes. Under the first classification are those failures the causes of which are traceable directly to those failing; under the other, the causes over which the suspending trader could not have exercised absolute control.

Following is the summary:

A.—Due to Faults of Those Failing.—(1) Incompetence, (irrespective of other causes); (2) Inexperience, (without other incompetence); (3) Lack of capital; (4) Unwise granting of credits; (5) Speculation, (outside regular business); (6) Neglect of business, (due to doubtful habits); (7) Personal extravagance; (8) Fraudulent disposition of property.

B.—Not Due to Faults of Those Failing—(9) Specific conditions, (disaster, etc.); (10) Failures of others, (of apparently solvent debtors); (11) Special or undue competition.

Coal Mining.

Not only does the mining of mineral wealth in this and other countries produce great wealth but it is one of the principal occupations of labor. Of coal alone the world's production in short tons is about 850,000,000 tons annually. Let us follow some of the processes of mining.

Coal having been located in paying quantities by prospecting and geological surveys, the next step is to extract the coal from its "seams." There are many different methods all looking to securing the greatest amount of marketable coal with the least expenditure of labor and other expense. Generally speaking, however, there are two kinds of coal mining: open and closed. Open working is used when there is no over "burden" of rocks or barren earth, or where it is so small that it can be removed easily, disclosing the coal veins. Then the work is really only quarrying or open excavation and machines for this kind of work are used. Closed working is used where the "burden" of rock and earth is so heavy that the work has to be done underground. This is the kind most generally known.

The first thing to be done is to gain access to the coal "seams" by means of shafts, slopes or tunnels. Shafts are vertical openings from the surface of the ground to the "seam." In this country shafts mostly are square and lined with timber work. In Europe many of them are round or oval and lined with brick, iron or masonry. The number of shafts depends upon the character of the mine,



METHOD OF TRANSPORTING COAL ON THE OHIO RIVER.

This photograph is mainly interesting as showing what a great flotilla of coal barges looks like. They are lashed together by strong hawsers and float down stream with the current, being guided by boats in the front and rear. At different points barges of the coal are detached and left for customers.

but usually each shaft has two or more compartments in each of which is fitted an elevator for lowering and hoisting coal-cars to and from the mine. In deep mines fewer shafts are sunk than in shallow mines. One of the largest coal-mine shafts in the world is situated at Wilkesbarre, Pa., and is 1,039 feet deep, 12 x 52 feet in size and has five compartments.

Slopes are openings begun when the coal seam crops out in the shaft from an inclined direction. These also generally have several compartments, most often with three, two for hoistways and a third for a traveling way, piping, etc.



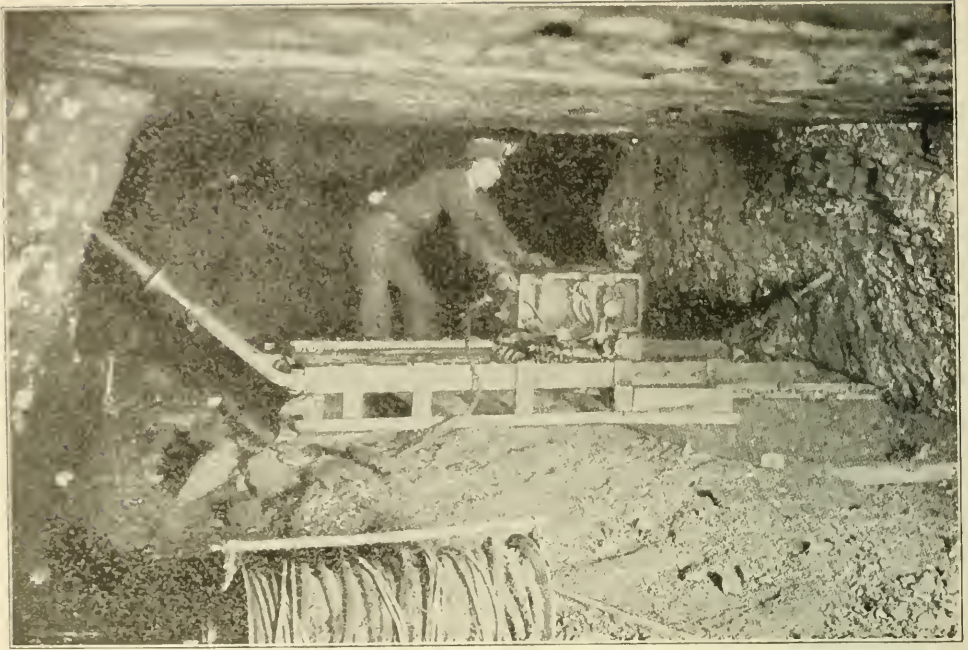
From the United States Department of Commerce and Labor Reports.

TROLLEY-ELECTRIC LOCOMOTIVE IN COAL MINE.

The electric locomotive is one of the striking examples of the application of electricity to mining, and its general use may be inferred from the report of the Bureau of Mines of Pennsylvania stating that there were 378 electric mining locomotives in use in the bituminous and anthracite regions of that state. It is believed that about 3,000 locomotives built especially for such work are in use in the United States. Modern mining locomotives range in size—according to the work they are designed to perform—anywhere from 2 to 20 tons and their wheel gauge from 18 inches to the standard railway gauge of 4 feet 8½ inches.

Slopes sometimes use cages and usually are lined with timber. Tunnels are nearly horizontal passageways extending generally from a hillside into the earth to meet a seam of coal. These are built much like railway tunnels. The timber work in mines needs to be watched carefully, for sometimes it breaks without warning and buries the miners alive. Often the timber used is treated with some preservative.

When access is secured to the coal "seams" there are several methods of working them. These are called, long wall, room-and-pillar, pillar-and-chamber,



From the United States Department of Commerce and Labor Reports.

ELECTRIC COAL CUTTER.

The evolution of the chain machine for coal-cutting was one of the most notable steps—and practically the final step—in the development of a successful mining machine. The speed with which it can do its work seems incredible. One of these machines has a record of cutting 1,700 square feet in nine and one-half hours. A fair average for such a machine is the cutting of 50 tons of coal every eight hours. There is a saving of 26½ cents per ton in the substitution of machine mining for pick mining in rooms. As the height of the machine is but 18 inches, it can be operated in very thin veins.

board-and-pillar, etc. The two principal methods are mining along the wall of the seam, taking every bit of coal out and allowing the roof to settle down, and that of cutting out rooms or chambers and leaving pillars of coal to support the roof. In America machinery is used extensively, although there is much cutting by hand. There are four principal styles of machines, pick, chain-cutter, cutter-bar and long-wall machines. Pick-machines are similar to a rock-drill. Chain-cutting machines are devices by which a chain bearing cutting teeth is run: this is worked by a motor against the wall of coal. Compressed air and electricity are used to operate machinery in the mines, and mechanical ventilation by means of fans and blowers is employed to free the mines of gases.

In order to get the coal to the surface there either is a hoisting engine that lifts the coal in a cage regardless of any balance or a device by which the car then going down into the mine helps to lift the ascending cage. In the mines

animals, generally small donkeys, are employed to haul the coal cars which run through the tunnels, though machinery here also is used to some extent, such as locomotives operated by steam, compressed air, electricity, gasoline, etc. The excavations for coal mines run to an extent almost inconceivable. Almost the whole city of Wilkesbarre, Pa., to say nothing of Scranton and other places, is undermined. The mines even go under the beds of rivers.

When the coal is brought out of the mines, before it can go to market it must be prepared by being screened over bars and through revolving or shaking screens. Often it must be broken over heavy rolls to make it the desired market size. When the coal contains much sulphur it is washed. Often lumps of slate appear in the coal and to remove this and similar impurities boys and old men are employed to sit along the chutes leading to bins and pockets and separate this refuse



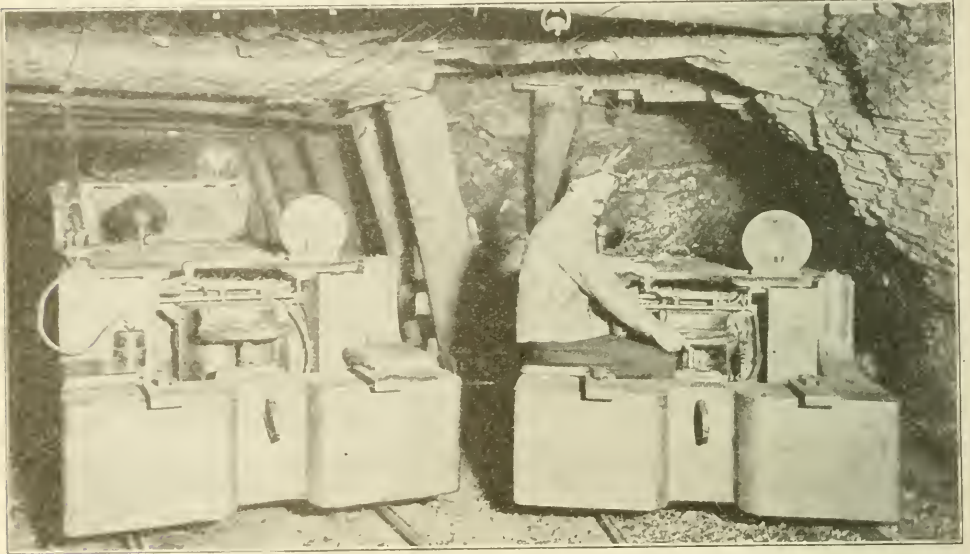
From the United States Department of Commerce and Labor Reports.

ELECTRIC DRILL AT WORK IN A MINE.

In coal mining operations the use of electric rotary drills and augers is quite common, and appears to be thoroughly successful. These drills are used for boring holes into the coal for shooting it down after it has been undercut. They are so arranged that they can be operated at almost any angle, vertically or horizontally.

from the coal by hand. The coal districts of the country are operated largely by foreign labor and they have been the scenes of much of the most sanguinary labor disturbance with which the history of trade unionism is marked. The great anthracite coal strike of 1901 and 1902, settled by the intervention of President Roosevelt, was one of the most remarkable of these disturbances.

Iron mining is another great industry of this country, in 1902 the production of iron ores in the United States being about 32,000,000 long tons, with Minnesota, Michigan, Alabama and Pennsylvania the principal producers. The Lake



From the United States Department of Commerce and Labor Reports.

TWO 250-VOLT ELECTRIC LOCOMOTIVES IN COAL MINES AT KINGSTON, PA.

Thus far the subject of mine traction has been considered from the point of locomotives supplied by overhead or under-running trolleys, or by a third rail, with current from a distant point of supply. It is possible, however, to employ self-propelling or automobile locomotives, equipped with storage batteries, so as to dispense entirely with the dangers and inconveniences of tracks and wires charged with exposed live current. Several types of such a locomotive are in use.

Superior region is rich with iron ore and the Mesabi and Vermillion ranges are among the most productive of the world. One mine in Minnesota alone has produced 1,681,000 tons in a year. Most of this ore when mined is shipped by rail to ports on Lake Superior or Lake Michigan and thence by lake steamers to manufacturing centers such as Chicago, Pittsburg and Cleveland.

In mining of metallic ore or minerals the methods used do not differ much from those used in mining coal. When there are surface deposits open mining calls for stripping the overlying worthless material called the "burden." This

may be removed by pick, shovel and wheel-barrow or by tram-car and steam shovel. When the ore is exposed to view there are several methods of loosening it. The most desirable position for the ore is on a hill side where the pit will drain itself. One form of surface is of particular interest—hydraulic mining. This is used most frequently in mining gold. Water is brought a great distance with a heavy fall and is directed by means of great nozzles against the ore body, tearing it loose and separating gold from rock material. One can hardly imagine the destructive power of a stream of water thus used until he sees it in operation.



A NEW WAY OF LOADING COAL ON CARS.

The coal is hoisted from the mine to a system of chutes, through which the coal passes over four different size screens, so that four railroad cars are loaded at the same time, each with a different size of coal.

Underground work is most common in metallic mining, because most of the ore deposits come in irregular places. The mines run to great depths and have many cross sections. (See description of Calumet and Hecla mine).

The extraction of salt from the earth nearly approaches the mining process, and, in fact, where rock salt is obtained deposits are worked by actual mining methods, such as the use of the customary shaft, chambers, breakers, separators, etc. The simplest method of obtaining salt, however, is by evaporation of sea-

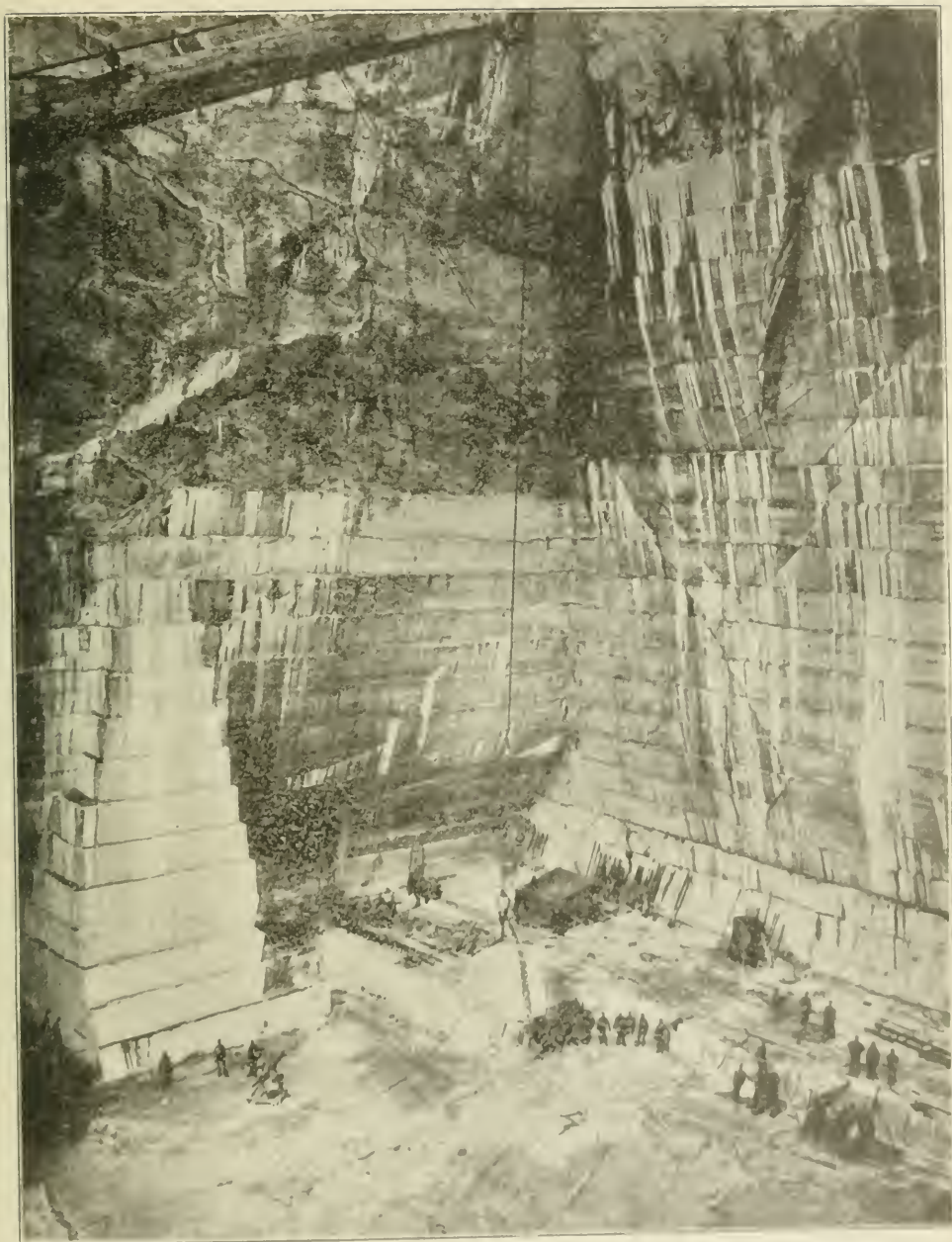
water. This is used seldom save where no subterranean supplies of brines or rock salt exist. This method consists simply in exposing the sea water in tanks to the sun's rays.

Brines from below the surface of the earth are pumped up through drilled wells, after the manner of boring for oil. After one tube has been driven down into the earth another and larger one is sunk outside of it, extending to a lower level. Water is then forced down between these tubes, dissolving the rock salt, which comes up in solution in the inner tube. After it is brought to the surface this brine is taken to settling tanks where suspended clay is allowed to settle. Then the brine is pumped to evaporating vats. These are either placed under a movable roof, so as to be subjected to the sun's heat, or are near furnaces or steam pipes which evaporate the water by artificial heat. The latter is the usual method.



ENTRANCE TO THE CHICAGO RIVER FROM LAKE MICHIGAN.

Until the Chicago Drainage Canal was built by the City of Chicago at a cost of about \$25,000,000.00, this river was supposed to empty into Lake Michigan and carry off the sewage of the city. A strong wind from the east or northeast, however, would change the current of the river, driving it backwards. The Drainage Canal has caused a continuous current inland, purifying the river water. The View also shows lake boats which carry both passengers and freight.



From the United States Department of Commerce and Labor Report

INTERIOR VIEW OF MARBLE QUARRY, PROCTOR, VERMONT.

In the number of quarries and value of output Vermont ranks first among the marble producing states, as has been the case ever since the inception of the industry, producing 52 per cent of the output of the United States. The stone is used for building monuments and decorative work.



WHERE THE MOWERS AND REAPERS ARE MADE.

The McCormick works, a part of the International Harvester Company, a combination which includes all of the leading manufacturers of harvesting machinery.

CHAPTER XXVI

THE HARVESTER TRUST.

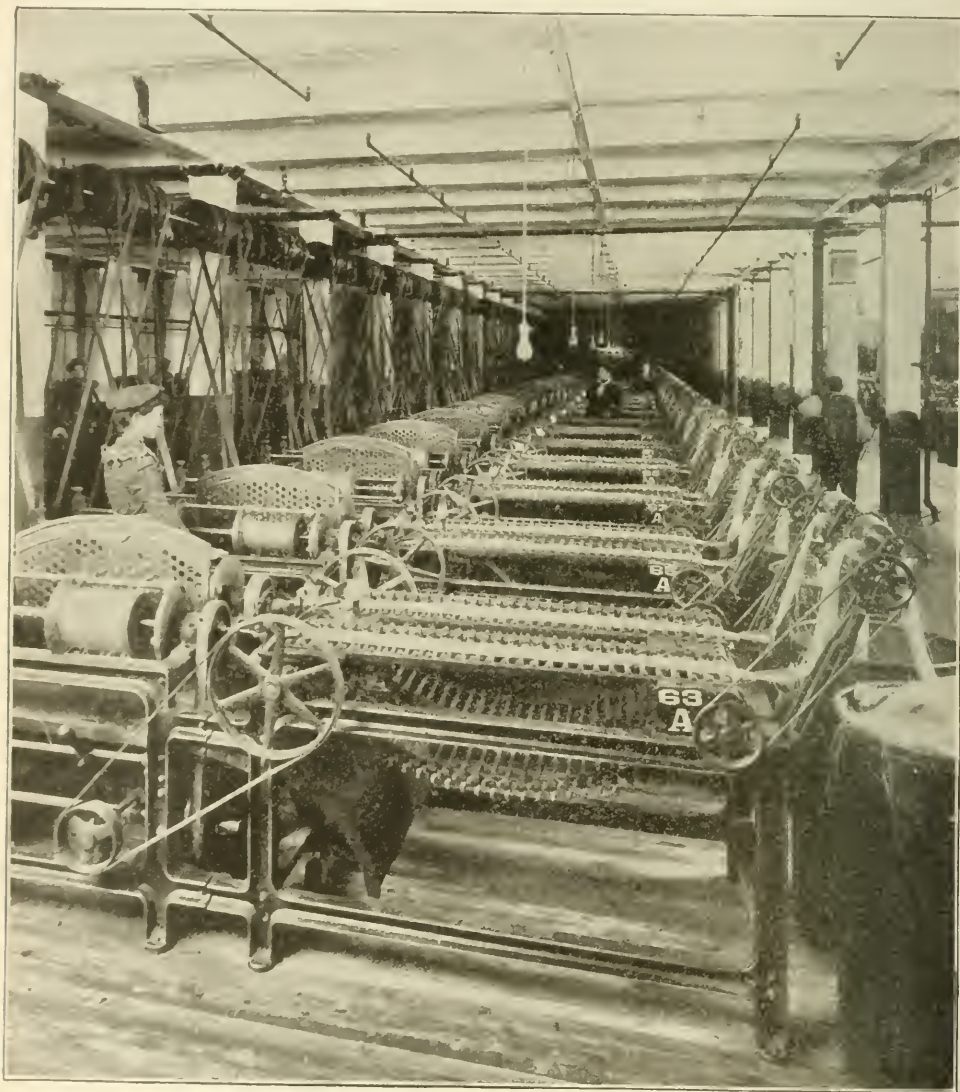
An Estimated Profit of Forty Million a Year—Save the Wheat Fields—Wealth of Agriculture—Improvements in the Implements of the Farmer—Immense Hay and Corn Crops.

WHEN it is considered that the chief characteristic of a trust to be profitably organized, is as nearly a total monopoly of the field of industry which it fills as possible, the Harvester Trust can be said to be typical of all that is aimed at in trust organization. In the first place the field of this trust—which in its corporate title is known as the International Harvester company—is as rich as can be imagined. Each year the production of the American farms in round numbers is \$4,900,000,000. This is about eight times the receipts of the government in one year, is more than all the savings bank deposits in the United States, and is almost three times the gross earnings of all the railroads of the country. It is six times the capital of all the national banks and four times the output of all the mines—gold, silver, iron, copper and coal.

Naturally to produce this annual crop the farmer must spend a great deal for machinery, implements and tools. This amounts annually to about \$100,000,000. It was for the purpose of controlling the business of manufacturing this farm tool supply that the Harvester Trust was formed in 1902. That the field has been lucrative and that it has been controlled is testified to by the official statements of the company claiming that 90 per cent. of the harvester machines sold in this country are of the International Harvester Company's manufacture. It is estimated that this trust makes about \$40,000,000 a year out of this business of manufacture. In order to conduct this business the trust organized with a capital stock of \$120,000,000.

The component parts of the trust before the incorporation which consolidated five independent concerns into a centralized monopoly were the McCormick Harvesting Machine Company, the Deering Harvester Company, the Plano Manufacturing Company, the Milwaukee Harvesting Company and the Warder, Bushnell & Glessner Company. At the time of the trust formation these were private or close corporations, controlled by the families which had founded them, principally by the McCormicks. When the trust was organized

it was announced officially that no stock would be offered for sale to the public, for control was to be held by those who conceived the idea of monopolizing the



THE MANUFACTURE OF BINDER TWINE BY MACHINERY.

This represents another industry whereby the introduction of labor-saving machinery has not lessened the demand for labor, for had not the self-binding reaper been invented, there would be no demand for the twine. Most of it is made from Manila hemp, which comes from the Philippine islands. Chicago is by all odds the greatest twine producing center in the world and distributes its output from China to Peru. One Chicago manufacturer produces enough binding twine every working day in the year to reach half way around the earth. The capacity of his two manufactories is eighteen miles every minute, or about 2,323,320 miles a year.

farm implement trade. Later the McCormicks gave the employes of the McCormick plants an opportunity to share in profits by taking some of the stock, and elsewhere some stock was distributed in small amounts.

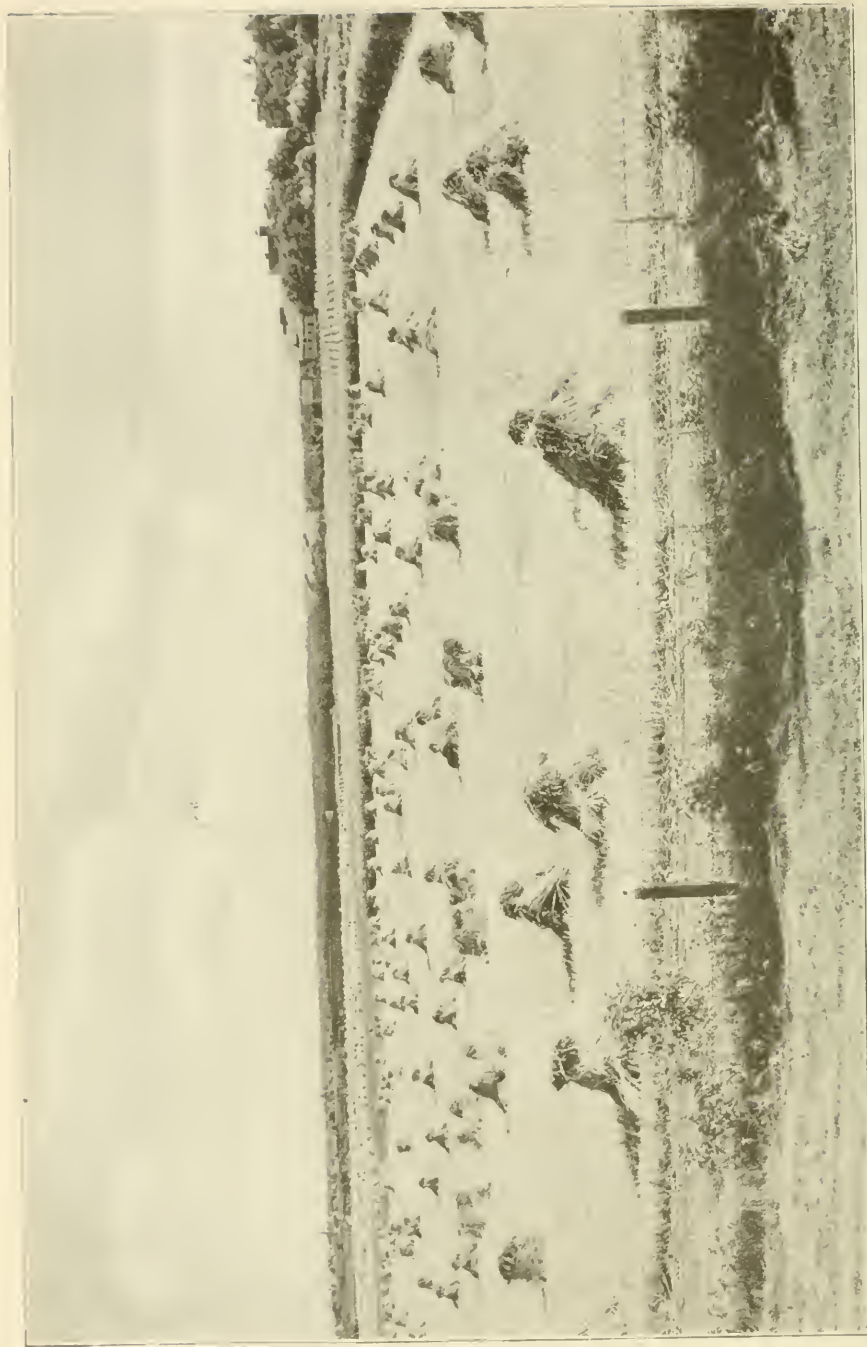
Besides having almost a complete monopoly in its chosen field and hence able to raise prices of its machinery considerably before independent concerns can cut into its business to a great extent, the trust is favored by the government in tariff benefits, patent rights, valuable trade marks, etc. The trust also controls great iron mines, coal mines, steel mills, etc., by means of which it is able to manufacture more cheaply than the independent concerns. Furthermore it controls railways, steamships, ropeworks in Manila and other industries which enable it to invade Europe, Asia, Africa, Australia and South America with its products. This foreign business is supposed to clean up about \$21,000,000 a year and most of this business is done at a lower rate than that given the American farmer. The reason advanced by the trust for this discrimination against home buyers is that it is surplus that is shipped abroad, and anything above a certain amount is clear profit. The farmer, however, is asking, "How does the 'square deal' enter this proposition?" In fact so sharp was the cry against the practices of the Harvester Trust that an attempt was made in Minnesota to start a state factory for the manufacture of farm implements so that more active competition against the trust could be organized.

Save the Wheat Fields.

Today one of the greatest problems ahead of the American farmer is, Must the people of the United States buy its bread of foreign nations?

Few people realized that such a question ever could come up until in 1904 the United States government was forced to grant a rebate on the custom duty on wheat imported into this country so as to prevent the great export flour trade of the United States from going into ruin. This came from the very poor crops of wheat that year, which in turn made the supply for flour so small that we imported wheat from Canada to mix with the domestic supply at the mills. Thus we found ourselves confronting the humiliating fact that our noble rank among the nations as purveyor of breadstuffs for the world; as the granary of the world in fact—was threatened. In our flour trade with England and Ireland, Russia far outstripped us. Of course some people at once set this down as simply a crop failure which is bound to come once in a while. But no less authority than James Wilson, Secretary of Agriculture in President Roosevelt's cabinet, judged the difficulty to be fundamental.

The estimated productive capacity of the spring and winter wheat belts



A MODEL FARM.

It is only with the intelligent assistance of man that nature will rapidly increase her riches. Our photograph is of a small, well-kept and consequently profitable wheat farm in the Middle States. Farming is the greatest of American industries, yet methods have changed as radically as in other lines of effort. In the Mississippi valley, for instance, great farms have come into the possession of capitalists, who conduct them as methodically as they would any other productive industry. In the Dakotas wheat farms of 20,000 acres are not uncommon. Such farms require great executive ability and economy of administration to assure a profit.

is about 750,000,000 bushels, and nearly that much has been raised in a year of bumper crops. There is no question that there is land enough to raise all the wheat this nation needs to consume, but in 1904 the total crop was less than 550,000,000 bushels and the consumption was about 61½ bushels to each inhabitant or about what was grown that year. It is a fact that Americans are the greatest wheat eaters in the world and consumption is increasing. The world also is calling steadily for more wheat. Something, then, is seriously the matter when we learn that during the government year which ended June 30, 1904, this country exported in wheat and wheat flour only to the extent of 120,727,000 bushels, compared with 202,905,000 bushels the previous year. Furthermore since that time exports fell off to a greater degree, in the seven months following the exports being equal to only 27,927,000 bushels compared with 93,083,000 bushels in the corresponding seven months of the previous year. This points to two things, the increased home consumption and the poor crops in recent years.

At once the question is asked, What is the trouble? Authorities answer that the farmer is robbing the soil. Year after year the soil has been given little or no rest. Crop after crop has been grown and has used up much of the nitrogen, or plant food, in the earth. It is the law of nature that the land must have a rest or else must be given other means of accumulating the life-giving properties that will grow good wheat. Certain vegetables if planted in the place of wheat for a season or two help the fields. But scientific fertilizing is one of the best methods to feed the land.

In a little over twenty years the agricultural productive power of the United States has nearly doubled itself. In 1880 the wealth of the principal crops measured roughly was about \$2,212,500,000. In 1900 this wealth had been increased to about \$3,764,600,000, in 1904 it passed the \$4,000,000,000 mark and now is steadily gaining on the goal of \$5,000,000,000. Prices of commodities change from time to time, but the following table will indicate approximately the yield and market value of the harvests of 1904:

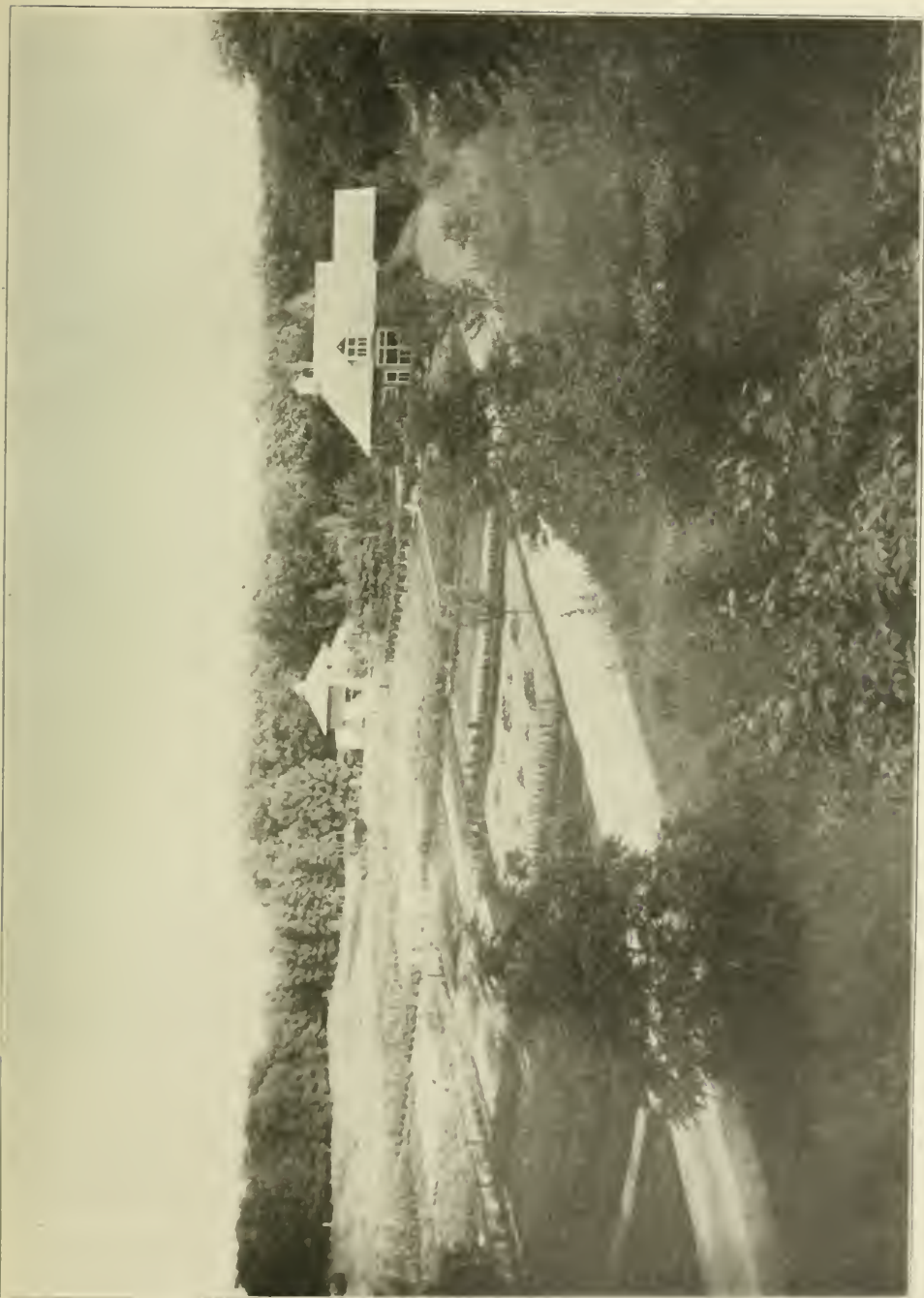
	ACREAGE.	PRODUCTION, BUSHELS.	VALUE.
Corn	92,231,581	2,467,480,934	\$1,087,461,440
Winter wheat	26,865,855	332,935,346	325,611,373
Spring wheat	17,209,020	219,464,171	184,878,501
Oats	27,842,669	894,595,552	279,900,013
Barley	5,145,878	139,748,958	58,051,807
Rye	1,792,673	27,234,565	18,745,543
Buckwheat	793,625	15,008,336	9,350,768
Flaxseed	2,263,565	23,400,534	23,228,758

	ACREAGE.	PRODUCTION, BUSHELS.	VALUE.
Rice	662,006	21,096,038	13,891,423
Potatoes	3,015,675	332,830,300	150,673,392
Hay	39,998,602	*60,696,028	529,107,625
Tobacco	896,469	†660,460,739	53,382,959
Other grasses, etc.....			700,000,000
Cotton		‡13,500,000	441,250,000
Fruit, etc.			200,000,000
Wool (scoured)		†32,000,000	16,000,000
Total, 1904.....			\$4,371,533,002
Total, 1900			3,764,000,000
Total, 1890			2,460,000,000
Total, 1880			2,212,500,000

*Tons †Pounds. ‡Bales.

From the foregoing table it will be seen that corn brings the most wealth to the country. If hay be considered separately and not figured in with other grasses such as alfalfa, etc., these other grasses come second in the list. Then comes hay and closely following are wheat and cotton. In considering the great wealth derived from agricultural pursuits of the country the public often loses sight of the value of hay and grasses. When a failure or partial failure is reported in the corn, cotton or wheat crops, great concern is expressed over the loss thus occasioned. But almost always the grass and hay crops make up in great measure what is lost through the other misfortune.

Grasses, generally speaking, number something like 3,500 species and range in size from less than an inch in height to the 100 feet or more of the gigantic bamboos. They are distributed over nearly the whole world, some being characteristic to the tropical regions, others to the far north or south in the vicinity of almost perpetual snows. Some flourish in dry and sterile soils while others abound in rich ground with abundant moisture. Some are peculiar to marshes, stagnant water or slow streams and some grow only along the seacoast. Many grasses are provided with peculiar adaptations to protect them against drought and hot winds. Between the veins on one side or the other are large, thin-walled cells that keep the leaf expanded when normal conditions are present. When a dry wind blows they collapse and the leaves roll up, preventing too great evaporation. When rain comes again the cells swell out and cause the leaves to return to normal shape. Some of the principal grasses, many of which make good hay, are pampas grass, buffalo grass, timothy, sweet vernal, Kentucky blue grass, grama grass, rough leaved grass, red-top, brome, blue-stem, mesquit, etc. Grasses



A MODEL TRUCK FARM NEAR LAKE GENEVA, WISCONSIN.

Here are raised vegetables, berries and other small fruits for local consumption. Lake Geneva is one of the best known and most popular summer resorts in the west, and its shores are lined with handsome residences—the summer homes of wealthy people.

of many kinds are used for pasturage, for soiling and for hay. They constitute a very important group of feeding stuff for all farm animals.

The value of grasses for feeding, however, is greater in the forms of hay, or cured crops, than in green grasses. This is because hay contains more nutritive material in proportion to its bulk than the green crops, for it has been concentrated by the evaporation of a large amount of the water originally present in the grass. The different sorts of hay are very important feeding stuffs for farm animals because they not only contain nutriments but because, like all coarse fodders, they furnish bulk in the ration. In early times hay alone was used as the winter fodder for animals. Experience, however, has shown that, although animals may be maintained without other feeding stuffs, where abundant milk supply or heavy weight is desired grains or other food must supplement hay. Most important hays are made from such grasses as timothy, meadow fescue, meadow foxtail, brome, etc. Hay also comes from such legumes as clover, alfalfa, etc., and from cereal grains such as rye, oats and barley. Generally speaking hay should be made from grass cut before it bears fully ripened seed, as the nutritive value increases up to this time and decreases thereafter.

Corn is a kind of grass. It is a universal crop to the United States and is grown on many different kinds of soil, but for its best growth a well-drained, rich, sandy loam, which does not bake during dry weather, is required. The bulk of the world's corn crop is produced in the northern portion of the Mississippi Valley, where it matures in about five months. It is planted from about May 1 to the twentieth of that month. In other latitudes planting is done late enough to escape late spring frosts. The "corn belt" of the upper Mississippi, as it is termed, is made up principally of Illinois, Indiana, Iowa, Kansas, Nebraska and Missouri. These states produce about three-fifths of the corn crop of the United States. About fifty bushels to the acre is considered a good yield, but the average yield for the whole United States is about 25 bushels to the acre. The largest yield of corn on record, 237 bushels an acre, was produced in South Carolina.

The time of harvesting corn depends to some degree upon the use to which the crop is to be put. When fodder is the purpose corn is cut when the kernels begin to glaze and the lower leaves begin to dry. The cut stalks are put up in shocks and left to cure in the field. When dry, the ears are removed and the stalks are used at once for feeding or are shredded and then fed. Corn grown for grain is cut when it is fully ripe. The ears are gathered, husked and stored in flat cribs, through which the air passes in drying the corn and preventing attacks of mold. The most common disease to which corn is subject is smut. This disease is not well understood. Rust does no material injury to corn.

Because of its value as a food for the human being and for its ready adaptability into many forms of food, wheat is the best known and most valuable of the grains. The original home of wheat is unknown, but probably it was first a native of western Asia. When wheat was first used is not known, for in most ancient monuments wheat has been found, proving that before history was written wheat had been used as a domestic food. It was not grown in America before Columbus's discovery.

Wheat needs a fertile and well-prepared soil. It grows best and makes most of its growth during the cool part of the year. Therefore, it should be sown as soon as conditions will permit. A moist soil at sowing time is the desirable condition, provided it is not so moist that it cannot be properly worked. Wheat is generally harvested before it is dead ripe in order to prevent the grain from shattering during the different processes from the time it is cut until it is stacked or threshed. This, however, is not the case in California. The time of harvesting wheat, like the time of sowing, varies with the latitude. There is a tide of wheat harvests that sweeps over the United States from May until August. This tide begins in Texas, where the wheat is sown first and where naturally it matures first, and ends in the late summer harvesting in the great spring wheat country of the northwestern states.

Harvesting time on the American farms is an interesting and critical period. When the work of cutting and shocking is done, the sheaves are hauled and stacked, remaining so until threshing time. The principal thing to do in stacking wheat is to see to it that the outer tier of sheaves slants so that the rain may be shed from the grain. In this country the threshing is usually completed in the fall. The wheat crop of the world in 1900 was 2,586,025,000 bushels. Europe supplied 1,475,472,000 bushels of this and the United States about half as much. The principal wheat growing states of this country are Minnesota, North Dakota, Ohio, South Dakota, Kansas, California, Indiana, Nebraska, Missouri, Iowa, Washington, Pennsylvania and Michigan, the yield of wheat running proportionately in the order of states named.

During no period has the development of harvesting crops been so marked as during the last half of the nineteenth century. In olden times farmers used the single-handed sickle and two-handed scythe and for a long time these were the only implements for cutting grain. The cradle is a much more recent invention which consists of a scythe, to the handle of which is fastened a set of three or more fingers of light wood as long as the blade. Use of this caused the stalks of grain to be piled up neatly as they were cut down. The gleaner was a feature of olden time harvesting. This person went along after the reapers who gathered

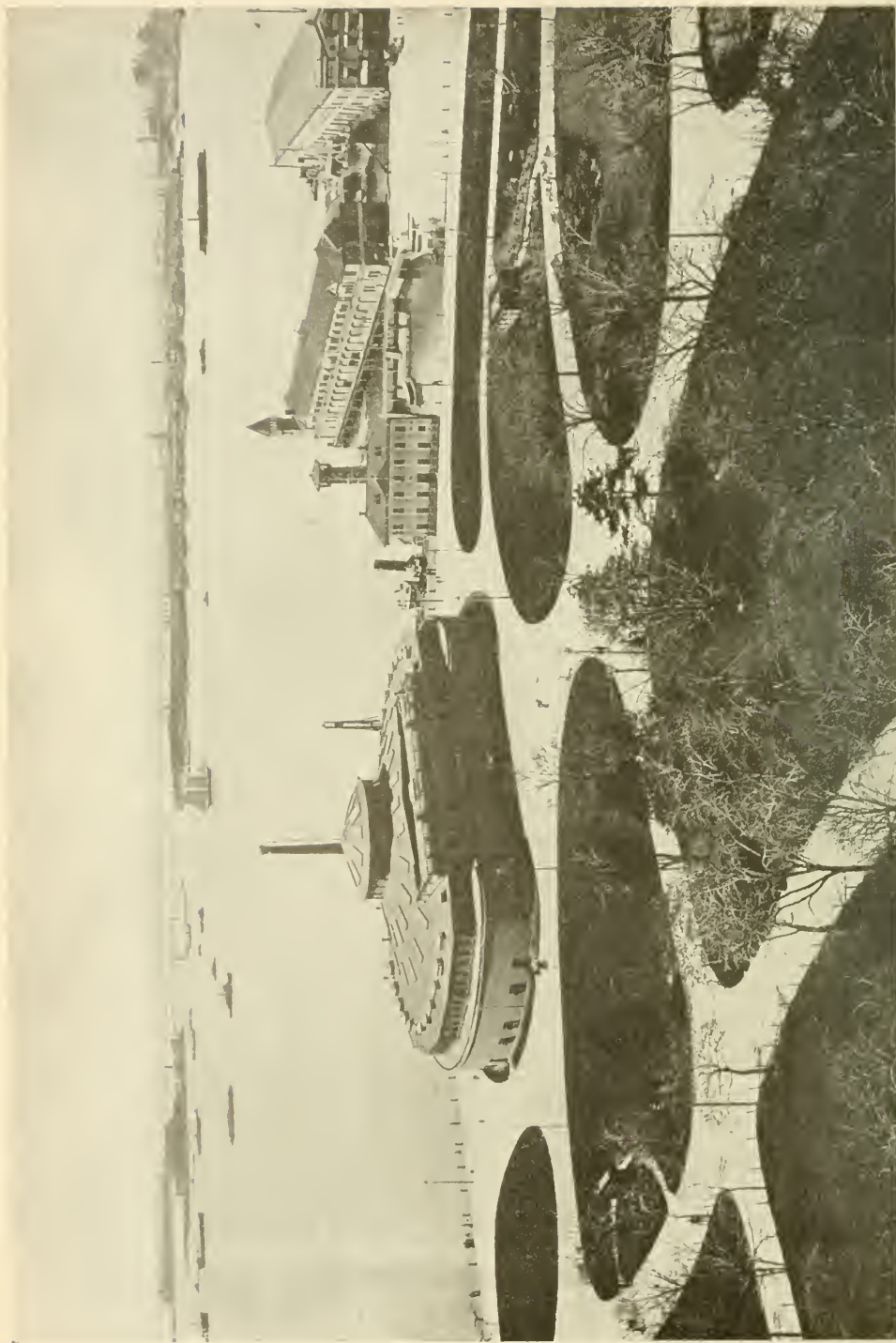


THE CULTURE OF ONIONS IN COLORADO.

The quality and extent of production of vegetables and fruits raised in Colorado are a revelation to most people who are not familiar with the varied agricultural riches of the State. The above field of fourteen acres produced 3,200 sacks of onions—about 2,800 pounds to the acre. The onion is one of the healthiest of vegetables.

up the grain and picked up the heads of grain overlooked by them. Methods of separating grain from the straw and chaff also were crude. Sheaves were spread upon a floor, which was often a bare rock or the earth, and animals dragged heavy planks across it until separation seemed complete. Flails also were used to beat out the grains from the straw. Then the chaff was blown away by fans and the straw picked up by forks.

Today all this is changed. The cradle has given way to the mower, which at first was used only in cutting grass for hay, but which later was adapted to cut grain and lay it in piles of convenient size for binding into sheaves. Then came the self-binder which not only mows the grain but binds the straw into bundles with twine or wire. The heading machine is drawn by a score or more of horses or is propelled across the field and severs only the heads of the plants and threshes and winnows the grain and runs it automatically into sacks ready for market. In many western districts this machine has displaced all machines needed in the various processes of harvesting. Where grain must stand in the shock to dry the threshing machine is still popular. This device long since has replaced the flail and fanning mill, combining as it does the purpose of both. Formerly it ran by horse power, but now it is generally drawn and propelled by a steam traction engine. The hay-loader, drawn behind the wagon to be loaded, has largely taken the place of loading by hand forks and the horse-power hay-fork, which will lift a large load of hay in three or four forkfuls, has become a common implement on farms. Other kinds of agricultural work required other devices and we find steam or electrical plows, patent drills and many other modern devices for lessening manual labor.



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CASTLE GARDEN AND BATTERY PARK, NEW YORK CITY.

This is the extreme southern end of Manhattan Island on which New York stands. The oval building is Castle Garden, which for many years was the receiving station for immigrants until superseded by Ellis Island, in the bay. The buildings to the right are steamship piers, and across the mouth of the North River, or Hudson, Jersey City appears.

CHAPTER XXVII

THE RISE OF A GREAT NATION.

Marvelous Growth of this Country of Ours Since the Close of the Civil War—Population Increased from 33,000,000 to 83,000,000 Souls—Wealth Increased nearly Six-fold—Thousands of Miles of Railway Built—World's Cotton Monopoly, Etc.

NEVER in the history of civilization has there been a record to equal that of the growth of the United States in the period since the close of the Civil War. When Robert E. Lee with his army of Northern Virginia surrendered to U. S. Grant on April 9, 1865, at Appomattox, there were 33,000,000 people in the United States. In 1905 the inhabitants of this great nation numbered 83,000,000 souls. Then there were 36 states in the nation, counting the eleven included in the confederacy; today there are 45 states. At the close of the war the wealth of the country was estimated at \$20,000,000,000; so marvelous has been the growth since then that the country's wealth has expanded almost six fold and now is estimated at \$110,000,000,000.

The importance of the date 1865 as a starting point in American progress is suggested by several instances. War had checked immigration upon which the country depended for much of the brain and brawn to develop its wonderful resources, and the influx of European population began to expand marvelously only after the war ended. The war had been costly in more than one sense of the word; hundreds of thousands of lives had been lost and billions of dollars of property had been destroyed, to say nothing of the wiping out of \$1,500,000,000 of assets of the Southland represented by slaves which were counted in the aggregate of the country's wealth previous to the Emancipation Proclamation. Naturally the effects of this loss were shown in the decrease in the value of property for the decade ending 1870 in every slave state except Delaware, Maryland and Missouri, which did not secede. Therefore property was at low ebb in 1865 and from this date the great expansion in the North and West began.

Furthermore it was at this time that the first real work on the first of the transcontinental railroads began. There had been action in Congress as early as 1848 looking to the building of a road to the Pacific, but it was really

the war which resulted in the construction of the Union Pacific and the Central Pacific railways, begun in 1865 and completed in 1869, and which brought rail connection between the Atlantic and Pacific Oceans. Indeed, at the close of the war there were only 35,000 miles of railway track in the United States; for all practical purposes there was not a mile of road west of the Mississippi River. Today the railways of the United States measure 211,000 miles in extent. While many patriots in the days of Polk, Taylor, Fillmore, Pierce and Buchanan argued for the construction of a transcontinental road for business purposes, it was military necessity that brought about actual rail laying in 1865. The agents of the Secession had been active in California in 1861, and one of the impulses which secured legislation for building the road was the fear that if direct and quick communication between the Pacific slope and the rest of the country could not be obtained soon a movement for separation might gain headway in the far west.

Hardly had the Union Pacific and the Central Pacific joined rails when further great impetus to railway building, also a result of the war, was given and the second of the great transcontinental roads, the Northern Pacific, sprang into existence. On this road construction work began in 1870. Jay Cooke, the man who floated the bonds of the United States government during the war, headed the project, but the panic of 1873 swept him off his feet and the work on the road was suspended until Henry Villard seized the opportunity and pushed the road to completion in 1883. These two great roads and the Southern Pacific, the Great Northern and the other transcontinental roads threw open the trans-Mississippi West to settlement and incited a population expansion without parallel in the previous history of the country, or, indeed, in the history of any other part of the whole world. During the Civil War for the first time since 1848 the railway construction of the United States had fallen to below 1,000 miles a year. In the suffering Southland building practically had ceased. The 35,000 miles of track in 1865, expanded to 52,000 miles five years later, the North and West being practically the sole gainers thereby. Industrial expansion below the Mason and Dixon line was to begin later. The 52,000 miles of roadway of 1879 became 93,000 miles a decade later: in 1890 the mileage of the country amounted to 166,000; in 1900 it amounted to 194,000 miles and at the beginning of 1905 it amounted to 211,000 miles. This increase of railway mileage is a fair index of the financial and industrial growth of the country in the forty years since the close of the great war of the rebellion.

With the removal of the one great bone of contention between the North and

the South in the abolition of slavery, the inhabitants of not only this country but of the whole world saw golden opportunities ahead of this nation in a glorious era of peace. More capital for industrial investment was sent to this country in the five years immediately after Appomattox than in any fifteen years before that time. The immigration into this country which had dropped to 89,000 people in each of the two years of 1861 and 1862 leaped to 247,000 in 1865, and was 387,000 in 1870. Two years later for the first time in history it crossed the mark of 400,000. In 1881 it crossed the 600,000 mark and one year later another 100,000 was added to the yearly influx. That was the maximum annual immigration until 1903 when it reached 857,000 people. Signs now point to the million mark being reached in 1905. Very nearly three times as many immigrants have landed in the United States in the forty years since the end of the Civil War as came here in the previous seventy-six years since the first inauguration of George Washington as President.

Railway building and phenomenal immigration could result in but one thing politically—the addition of territory to the country in the shape of new states added to the Union as rapidly as population warranted. At the end of the war there were thirty-six states, three of which had been created since Lincoln's first election as war measures. These were Kansas, admitted in January, 1861; West Virginia, admitted about the middle of the war and Nevada, created just in time to take part in the presidential canvass of 1864. The first state created after Appomattox was Nebraska, which was let in in 1867. Colorado succeeded in getting into the Union in 1876 and became the "Centennial State." Then thirteen years elapsed before any more stars were added to the flag. This time a large bunch of states came in. The railways had been building up the country west of the Missouri River. The Northern Pacific and other great lines had carried people over into the shadow of the Rocky Mountains and beyond them more quickly and more cheaply than they had gone from the western border of Pennsylvania over into Ohio in the days of President Jackson. The consequence was the admission, in 1889, of North Dakota, South Dakota, Montana and Washington and a few months later Idaho and Wyoming came in. This completed the roll as it stood in 1905, with the exception of Utah which was admitted in 1896. Thus the thirty-six states of 1865 became the forty-five of today.

Although the great increase of wealth, population and prosperity in the North and West came through the termination of hostilities between the North and South, the latter, perhaps, was the greater gainer in some things thereby. Population and wealth, as has been stated, fell off during the great conflict.



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COTTON READY FOR EXPORT ON WHARVES AT SAVANNAH, GEORGIA.

The United States is the leader in the world's cotton trade, the annual production exceeding ten million bales. All of our Southern States produce cotton, with Texas standing at the head of the list. The manufacture of cotton has been growing rapidly in recent years. There is close to four hundred million dollars invested in the manufacture of cotton goods alone—to say nothing of the factories making mixed goods.

Had a census been taken in 1865 it probably would have shown fewer people in the eleven ex-Confederate states than there had been in 1860. For a time political intrigues, such as "carpet bagging," worked against the South in its reconstruction by piling up debts. But the greatest difficulty which beset that section of the country through the voting power granted the negro was gradually overcome and in 1877 reconstruction was practically completed by the withdrawal of federal troops from South Carolina and Louisiana.

But even while the political troubles of the Southland were at their highest, the natural resources of that section of the country began to attract attention. West Virginia, Tennessee, Alabama and other states were rich in coal and iron deposits, which before the war had been unthought of, and these have been utilized in an increasing degree in the last twenty-five years until the Birmingham, Ala., iron and coal district is now celebrated around the globe. The United States for a long time was far down on the list of coal-producing countries. Not until 1900, indeed, did this country pass England, which then led the world in this respect. Today we now stand at the head and produce 37 per cent of all the world's coal. To this gain the South has made a large contribution. In iron it has been almost the same tale. In 1880 the pig iron production of this nation was 3,800,000 tons. It was 18,000,000 tons in 1903 and in 1905 signs pointed to a total of 21,000,000 tons. Here the South has made an important contribution to the sum total of the country's expansion. The Birmingham district now rivals that of Pittsburg, and even has advantages over the latter in having the coal, iron ore and lime stone nearer than in the Pittsburg field.

But the great staple of the South is cotton: indeed, this product is recognized as distinctly American in the international trade of the world as this country's cereals. In 1904 the South raised the greatest crop of the staple in history, gathering very nearly 14,000,000 bales of 500 pounds each. When one takes into consideration the fact that in 1860 the cotton crop of the South was of world-wide reputation and value and yet was only 4,800,000 bales, or about one-third that of 1904, it will be seen how one great influence has worked for expansion and prosperity of the country. Indeed, even since 1880, when the South's first real progress since the war began, the cotton crop has much more than doubled in size measured by the 1904 production.

But let us go a step further. The United States has a monopoly on the cotton production of the world, raising about three-fourths of the cotton of the whole world. And all the American crop is raised in the South. Nor

is this connection of the South with cotton restricted to raising the raw material, for the old slave states now have caught up with the North. In 1880 the South manufactured into textiles only 221 bales of cotton. Today about half the 4,000,000 bales retained for consumption in the United States and manufactured into articles, are put through Southern home mills. If conditions warrant, this progress can be furthered remarkably. With the nearness of its supply of raw material, with cheap labor and with low rents,



GOLD PROSPECTING IN THE YUKON COUNTRY.

Southern manufacture could surpass that of the North. As for cotton production, with the waste lands of the South once cultivated, the bumper crop of 1904 probably could be doubled.

Great Production of Gold.

Production of gold today is at a greater rate than ever before in history. In 1904 the known new gold brought into commercial channels from the mines was \$350,000,000 in round numbers. Before the year 1905 is passed it is possible there will be added another \$400,000,000 to the world's gold supply.

So rapidly indeed is gold increasing that political economists are now referring to the increase as the "golden flood." Whereas it was an overproduction and abundance of silver which caused great perturbation among financiers a decade ago, now it is the standard metal of money the world over which is



From the United States Department of Commerce and Labor Reports.

STOPE, WEST DRIFT 2,000 FEET FROM LINE, ANCHOR MINE, NEAR PARK CITY, UTAH.

The production of gold and silver antedates the dawn of written history. The search for the precious metals prompted the discovery of new continents and stimulated the efforts of alchemists, thus indirectly leading to the development of scientific chemistry. Yet it is only since the beginning of gold mining in English-speaking countries, at about the middle of the nineteenth century, that any progress in mining methods can be recorded. And even today, mining methods of primitive man may be observed in actual operation in some parts of the United States. The beginning of gold mining in the United States dates back to the first quarter of the nineteenth century, when some placer mining was done in North Carolina and Georgia, the settlers working at odd moments, giving to mining such time as they could spare from other occupations.

changing in value and thereby changing the comparative prices of all commodities measured by it.

Of the great supply of gold now being produced South Africa is the greatest contributor. During the Boer War mining in the Transvaal—or

the Rand as it is called—was checked to almost nothing. Now, however, Chinese labor has been introduced in the once-more-peaceful country and progress in gold mining is almost unbelievable. In 1904 this production amounted to about \$90,000,000. The United States is a close second with \$84,000,000 gold dug up from its rich mines.

The interesting question that is heard is, where does all this gold go? Of course it is a well known fact that all the new gold produced does not go into money. Between 1895 and 1903 the amount of gold in the money systems of the world increased from \$4,068,800,000 to \$5,382,600,000, a gain of \$1,313,800,000. During the seven years between these dates the world's product of gold increased \$2,094,298,300. Thus 64 per cent of new gold went into money and 36 per cent is to be accounted for. It is supposed that a great deal of gold goes into the arts and sciences—perhaps 25 or 30 per cent of the output. This would still leave some of the gold presumably going into hiding places, perhaps to be brought out in sudden emergency. Professor J. Laurence Laughlin recently suggested that possibly the great private banks of the world which do not make report hold this extra horde.

"The existing stock of gold, about \$10,000,000,000, of which about \$5,000,000,000 is used in the monetary systems of the world," said he, "is now so large that no restrictions on legitimate bank discounts can be assigned to a scanty world's supply of gold for reserves. When the war in the Transvaal broke out in 1899 it was supposed by some that the supplies of gold for the reserves of European banks would be curtailed. Two years later the American reserves had increased by \$150,000,000, those of the Bank of England by \$18,000,000, the Bank of France by \$100,000,000 and the Bank of Austria-Hungary by \$43,000,000. The Bank of Russia, for special reasons, alone, had lost gold. This outcome was not surprising. The explanation is to be found in the vast supply of gold not employed in circulation, in all countries, nor in the arts, but held by institutions or financial houses, not obliged to make public reports of their holdings of gold."

It is of interest to note that the greater part of the annual production of gold passes in and out of the United States. In 1904 \$206,000,000 thus circulated through this country. But we do not hold this gold. The market for this precious metal is as wide as the world. It is currency the world round and when any country wants it, it generally gets it speedily. Thus in 1904 while the United States produced 24 per cent of the world's gold product, it retained but 9 per cent of it. Indeed, it held but 37 per cent of its own production, thus giving to the world of its store to serve in the arts and

in monetary systems. For instance, during that year Russia was sore pressed in a war with Japan. Therefore we and the rest of the world sent some \$81,000,000 to the Czar's country. France, which is the banker of Russia, wanted \$61,000,000 that year. Europe during this time took up about \$205,000,000 gold.



From the United States Department of Commerce and Labor Reports.

INTERIOR OF MILL OF THE UNITED GOLD MINING, MILLING AND TUNNEL COMPANY, IDAHO SPRINGS, COLORADO.

The extraction of the metals from the ore was in the early period not differentiated from mining. The most natural method which suggested itself to the human mind for dealing with the gold-bearing rock was to reduce it to the same state in which the alluvial deposits were found and to separate the disseminated particles of gold from the pulverized mass by the familiar method of washing. The advent of the stamp-mill changed this condition, but with the progress of gold mining a point was reached where it was found inadequate. The problem was not fully solved until the process of concentration was introduced. Only rich ores could bear the expense of shipping to distant smelters. As a result, low-grade refractory ores which could not be treated by amalgamation were thrown away. The new process of concentration, which reduces the volume of ore to be shipped and treated, was tantamount to a discovery of new gold mines.

CHAPTER XXVIII

MONEY.

Chinese the First to Coin Money—Source of Paper Money—The Modern Bank-note Regarded as a Swedish Invention.

WHATEVER fills the functions of a medium of exchange and a measure of value, however crudely, is money. In the early times the exchange of commodities was carried on by barter or trade. Homer, in the *Iliad*, says that when

From Lemnos Isle a numerous fleet had come,
Freighted with wine . . .
All the other Greeks,
Hastened to purchase, some with brass and some
With gleaming iron; some with hides, cattle or slaves.

Such a method, however, was very slow and cumbersome. There were two great objections to it. Those who wished to buy might have nothing which those who wished to sell, cared to take in exchange. Furthermore, much time was wasted in trying to decide the relative value of the different articles traded in. Therefore, gradually, certain objects were fixed as standards of value which might not be used themselves, but were accepted in order to exchange again for something more desirable for use. Among other things that have been put to this service have been furs, skins, leather, sheep, cattle, wampum, cowries, grain, olive oil, salt and many metals. The use of cattle in ancient Europe for this purpose resulted in the Latin word for money, "pecunia," from *pecus*, cattle. In our own language the word "chattel," or "cattle" has come to include all property.



EARLY CHINESE PU (SHIRT) MONEY.
B. C. 700.

On the whole, pieces of metal were found to be most convenient for use as money. They could be divided and weighed easily, were easy to carry and were readily indentified. Therefore the names of weights soon came to pass for the names of coins, as the pound, the shekel, the livre and the lire.



CHINESE KNIFE MONEY.
About B. C. 300.

blade of the knife was shortened, while the end of the handle, which was pierced by a hole so that the coins might be strung on a cord, was enlarged. Finally the blade disappeared and the circular end of the handle alone remained with a hole in the middle. The Chinese said, in explanation of the evolution to this round shaped coin, that money which is meant to roll about the world should itself be round. This change occurred about the second century before Christ, and resulted in the form known as

The metals most generally used have been gold, silver and copper. Iron is said to have been used in Sparta and among the ancient Britons in the form of bars. Tin coins are reported to have been struck off in ancient Syracuse and Gaul. Glass also is said to have been used in Egypt and Sicily.

One of the most remarkable illustrations of the passage from the state of barter to the use of money is to be found in the history of Chinese money. In ancient China knives and pieces of cloth long had been used to a certain extent as a standard of value, almost as gray shirting now is used in India. About the twelfth century before Christ the Chinese government tried to substitute coins for various objects in common use, such as knives, pieces of cloth, hoes, sickles, spades, etc., and made small metal models to represent the objects themselves. The two chief coins of this sort were the "pu" coins, roughly representing a shirt, and the "tao" or knife coins in the form of a knife. The word "pu" means cloth and "tao" means knife. These forms were very inconvenient and gradually the



TRIBUTE MONEY—SILVER.
A. D. 16-37.

This is the coin referred to in the New Testament as being asked for by Jesus when the Pharisees "took counsel how they might entangle him in his talk;" "Shew me the tribute money," etc., etc. St. Mathew, xxii. 15.

"cash," now in general use in China and very common in this country because the Chinese attach it as a lucky charm to articles sent for sale to this country.

Many of these coins bear a mark like a new moon. This originated in a characteristic Chinese accident. About 620 A. D. a model in wax of a proposed coin was brought to the Empress Wentek for approval. In taking hold of it she left on it the imprint of her thumb nail. For hundreds of years this mark has been on Chinese coins and has even been copied on the coins of Japan and Corea.

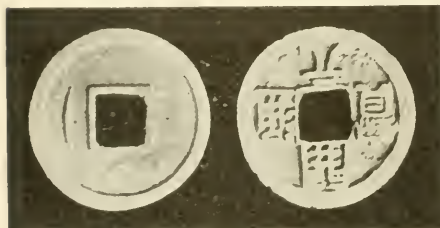
There have been many other very peculiar shapes of money. In Persia scimiter-shaped pieces of metal were used as money. Sometimes rings were used, as in Ireland down to the twelfth century, and in the interior of Africa today. In other cases money was in the shape of bricks or ingots. These gradually came to be stamped in order to verify their weight and fineness. Some countries seem not to have known coins at all. This appears to be certain in the case of those who erected the Pyramids, the Sphinx, the temples of Karnac, Babylon and Nineveh.



CHINESE KNIFE MONEY.

7-22 A. D.

The blade was shortened for convenience.



CHINESE CASH. 680 A. D.

The word money implies coin. One explanation of its origin comes from the fact that it was in the Temple of Juno Moneta that early Roman coins were struck off. Cicero says Juno received this name from the Latin verb *monco*, because she advised the Romans to sacrifice a sow to Cybele to avert an earthquake. It is probable that the Lydians were the first of all nations to introduce the act of coining gold and silver. Generally the right of coinage had been a prerogative of the government. Until 1561 coins were made by heating

spherical pieces of metal and punching them with a die. In that year the mill and the screw were invented and a century later the improved method of minting was generally accepted.

The use of paper money as currency and an instrument of credit dates back presumably to the Carthaginians. This people used a sort of stamped leather as money, and it passed as a representative of specie, but outside of Carthage it was of no value. Some historians regard paper currency as having originated in China late in the second century B. C. The explanation

of this origin has it that when one entered the presence of the Emperor it was customary to cover the face with a piece of skin. It was first decreed that the skin of a certain white deer kept in one of the royal parks alone was permissible for this use. These of course sold at a high price, but though they may have passed from one nobleman to another it does not seem that they were generally circulated. Travelers in China as early as 1262 reported paper, or rather cotton, money in use. An account of their use says that so much money was put into use about 1322 that the value



THE "WIDOW'S MITE."
Two of them went to a "farthing."

This coin was struck in the year of the Crucifixion (A. D. 29-30) by order of Pontius Pilate. It bears the name Tiberius on one side, and on the reverse, three ears of corn bound together.

of the notes fell until it took \$15,000 worth to buy a cake of rice.

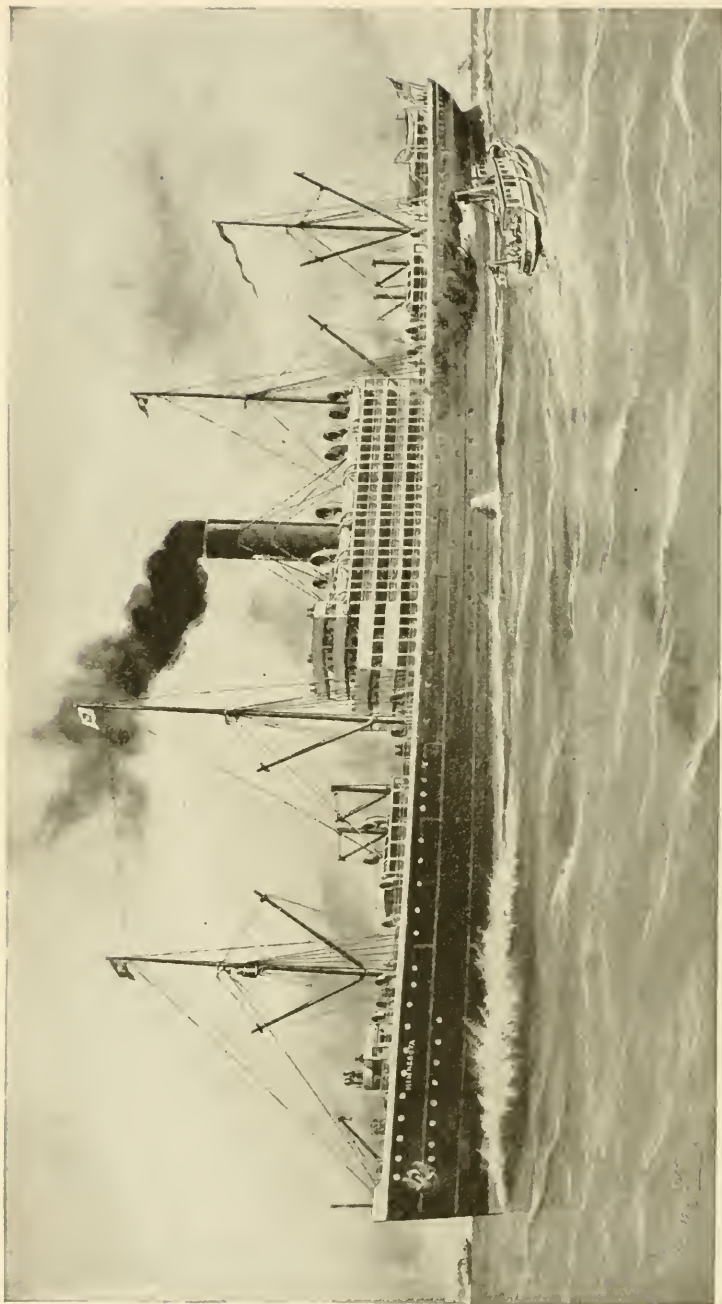
The modern bank-note is regarded as a Swedish invention. In 1656 the first bank in Sweden was founded by one Palmstruck and this is said to have issued bank-notes in 1658. It does not seem clear, however, that these were bank-notes in the present day sense, and the first real issue probably dates with the foundation of the Bank of England, whose charter was signed July 27, 1694. The first reference to a note of which the amount was printed, is found in the minutes of this institution of May 1 and 2, 1695. The first notes printed from copper plates were issued in 1725.

*De Edw. Ironside (Edm. R. 2) recept. H. Annuat. 1729
Hend. Solubil. ex te sinking fund A. 11 R. R. George. Sedi. Conc. - May 2nd.*

Recd. 24th die Octobr. A. R. R. George. Lde 24-

EXCHEQUER TALLY.

The above represents a section of the end of an Exchequer Tally, two-thirds natural size, acknowledging the receipt of £236, 1s. 3d., on the 25th of October, 1729, from Edward Ironside, Esq., as a loan to the King on £3 per cent annuities, payable out of the sinking fund, in account of £500,000 granted per Act. 11 George II, C. 27. The two notches at the top denote £200, and the smaller notches at bottom the balance of the amount.



"MINNESOTA," THE GREAT NORTHERN STEAMSHIP COMPANY'S NEW TWIN SCREW STEAMER.

The largest cargo carrier in the world, and the largest ship ever built in the United States. Length, 630 feet. Beam 73½ feet. Speed 16 knots. Displacement at full load draught 32,000 tons. This gigantic vessel with her sister ship "Dakota" was designed for the Pacific trade between Tacoma, Seattle, Yokohama, Hong Kong and Manila.

Built by the Eastern Shipbuilding Corporation of New London, Conn. Equipped with triple-expansion engines of 10,000 H. P., and a remarkable battery of 16 "Niclausse" water-tube boilers, fitted with the first installation of mechanical stokers on an ocean-going vessel, which with all the improvements for safety and comfort that unlimited capital can purchase, rates her as the greatest passenger and cargo ship afloat.

The ship can carry 2,000 people, and has capacity for cargo equal to 100 railroad trains of 25 cars each, or a single train seven miles long. 12,000 tons of steel were used in her construction, which amount is one-third greater than the total tonnage of structural metal in such mammoth buildings as the Waldorf-Astoria Hotel of New York.

The vessel has in addition to the luxury of a steam laundry, all conveniences found in modern cities, from a children's nursery to a hospital.

CHAPTER XXIX

THE GOLD SHIP—HOW A NATION PAYS ITS DEBTS TO FOREIGN COUNTRIES.

Not Enough Actual Money in the World to Conduct its Business on a Cash Basis for a Single Day—How the Exchange of Commodities Equalizes Everything—Explanation of "Balance of Trade" and Foreign Exchange.

EVERY YEAR millions of dollars' worth of products of the soil, mines, factories, etc., are shipped from this country to other countries of the world. In return other countries send to the United States millions of dollars' worth of their products. This is foreign trade.

The reason why this trade exists is because we are able to offer foreign people commodities that we produce on better terms than perhaps they could produce them; while in return foreign people have certain commodities which we need but perhaps cannot produce to as good advantage as the people of other countries. In an ideal state of foreign trade sales would just balance purchases, for then it would be apparent that we were exchanging what we did not need for just what we did need. This, however, is not always the case, although over a long range of years imports may almost balance exports. When exports are in excess of imports the balance is said to be in favor of this country, for it is generally supposed that it is better to sell than to buy. This, however, is really not good logic, for business is reciprocal—that is, there is never a buyer without a seller. Therefore if a country did not expect to take something in return for its exports of commodities it could not expect other countries to buy of it.

Now, for years the United States has enjoyed a great excess of exports over imports in its foreign trade. This has been due almost wholly to the fact that this country has been considered the granary of the world and that other countries depended largely upon our grain to feed themselves and to a similar extent upon our cotton to clothe themselves. Eliminating these food products and raw materials from consideration, it will be found by comparison that the government statistics of imports and exports for a number of years do almost

balance. For instance, during the government year of 1903, while our exports to foreign countries amounted to the enormous sum of \$1,392,231,302, but deducting the amount of agricultural, mining, forest and fishery products, the amount exported was \$413,955,747. On the other hand, that year we imported a total of \$1,007,960,110 worth of commodities, but by deducting \$595,691,586 for crude materials, live animals and food it is seen that the imports were \$412,278,524, or almost the exact balance of the exports.

Further examination into statistics would seem to point definitely to the existence of a law of equal exchange. This law apparently rules that if we expect to sell we must expect to buy in return. We may tap new markets for a time or develop trade in China or South America, but the tendency cannot always be in one direction.

There are times, however, when the country as a whole may be a great creditor or a great debtor nation to other countries of the world. The phenomenal growth of wealth in the United States has tempted foreigners, especially Europeans, to buy heavily of stocks and bonds in the great railway and industrial companies of the country. When the great industrial boom began after the election of President McKinley, much of the funds which went to build up this boom came from Europe. Indeed, at one time Europe loaned as much as \$500,000,000 to the business interests of this country, and it was largely due to the desire of European capitalists to get back the money on these loans that brought about the great stock market panic during 1903. At a time when this country finds it has not enough cotton or wheat or corn to ship abroad and exports in such commodities fall materially the balance of trade is said to be against the country, for imports into the country may exceed exports out of it.

There is a constant stream of business transactions under way to equalize the balance of trade. This process is what may be termed international, or foreign exchange and is conducted by international banking houses. If the big packers at Chicago ship great quantities of beef to Europe, they personally, of course, want money in payment. But the wine merchants of France, the carpet manufacturers at Brussels or other foreign business men have sent great quantities of their goods to this country and they desire money also. Sometimes gold, the money of the world, is exchanged, but it costs so much to ship it that unless it is needed more than anything else the foreign exchange bankers try to make the amounts due from the shipments of beef cancel those due from the imports of laces, carpets, wines, etc. And this is foreign exchange.

Of course what takes place is not the actual cancellation of shipments against

imports, though it amounts to that in the long run. What does take place is that the Chicago packer draws a bill of exchange against the European purchaser, due probably in London, the money center of the whole world. This bill of exchange is made transferable and being good for a certain amount of money is sold to an international banker at a slight discount for the trouble of collecting. Now, possibly in Chicago, some great dry goods man like Marshall Field wants to pay for a bill of goods he has received from Europe. He seeks out to find just such a bill of foreign exchange as the Chicago packer has sold to the banker. This he purchases at perhaps a slight expense for the trouble to the banker for arranging the transaction and may send it to his European business associate in payment for the goods he has bought.

Sometimes capitalists wish to lend money in another country, and then rather than ship gold over to that country they will simply sell bills of exchange on that country, which is equivalent to placing credits there. Most of these bills are on London bankers or their correspondents and the result is that eventually they balance through the banks of that city.

When, however, conditions are such that more money is needed in Europe to pay what is owed from this country, gold actually has to be shipped. The cost of money—that is, the interest rate—is a considerable factor in such negotiations. Sometimes money may be scarce in one country and interest rates high. Then the bankers of another country see an opportunity to make good interest by sending money—or credit—to that country. This may be done by selling bills of exchange, but sometimes the actual gold is shipped. When this is done it is almost always the case that the balance of trade referred to here is in favor of the country receiving the gold—that is that country has sold more commodities abroad than it has purchased.

Gold shipments are among the most interesting money movements known to banking. In the first place there is considerable risk in shipping the money. The ship may be lost in a storm or be burned at sea. The shipments are generally in large amounts, for unless conditions warrant a pretty steady flow of gold from one country to another for at least a short period, foreign exchange bankers will take the risk of selling bills "short"—a sort of speculation in the hope that conditions will change soon and they may "cover" the bills at a profit by buying bills offered by some one else at a profitable figure.

The risk of these shipments can readily be seen when it is known that early in 1905 the French liner "*La Champagne*" carried from New York over \$9,000,000 in gold in one shipment destined for Paris to furnish the French

bankers with money to supply Russia with funds with which to carry on the great war with Japan. That amount was only a little less than 1 per cent of all the gold in circulation in the United States.

But this, while it costs much for insurance against outright loss, does not worry the bankers nearly so much as the loss of metal by abrasion. It is well known that when coins are carried for a long time they wear very thin. In such metals used for money, as silver and copper, this is not so serious as in gold, for gold goes by its weight everywhere, and other coins are only representatives of the actual money, just as paper generally is the representative of gold money. Now, with gold wearing down at this rate, it is a fact that a big shipment of the precious yellow metal will cause enough rubbing together to wear away a visible amount of gold, measurable in dollars and cents lost. In order to save as much loss as possible, for such a loss is a dead one, the bankers generally ship gold in the form of bars, secured in this country principally at the New York assay office. When the supply of these bars runs out, as it does sometimes, the actual gold coin is shipped. This is usually called a specie shipment. Such was the nature of the \$9,000,000 load referred to here. In this case if the ship had been lost at sea every man, woman and child in the United States would have had to get along with 11 cents less money in circulation. But besides these risks and losses there is that of interest. When money is on the water it cannot do anyone's bidding to earn more money. This loss is considerable. Indeed this special shipment to Paris, one of the largest in history, by the way, cost about \$38,000. And yet the foreign demand for gold for Russia and other needs was so great that foreign bankers paid interest on the money while it was in passage.

The serious question now with bankers is whether it is worth while to risk so much of the world's wealth in shipping it across the ocean. If there should be some great amount lost in transit, probably some readjustment would be made so that this transfer would cease. Certainly it seems that in this great twentieth century of time-saving and labor-saving devices, the commercial genius of the age ought to be able to establish some system of international finance that would reduce to a minimum these shipments of gold across the Atlantic and Pacific oceans.

It is, as a general thing, during the spring that gold is sent from this country to Europe, for frequently we are then paying for purchases made abroad, while in the fall Europe generally sends us gold, for then we are shipping great quantities of grain and cotton and Europe is paying for them.

What the World Drinks—Millions of Gallons of Tea, Coffee and Alcoholic Beverages Consumed Each Year by the Nations of the World.

When a person sits sipping his or her coffee, tea, wine or beer quietly at mealtime, little consideration is given to the total amount of these beverages consumed each year by the peoples of the world. But the industries of placing these beverages before the consumers is of great magnitude and the consumption is of almost fabulous proportions. The United States government has prepared statistics on the question and the figures show that the United Kingdom of Great Britain and Ireland is first in the consumption of tea; the United States first in coffee-drinking; Germany first in the consumption of beer; Russia first in the matter of drinking whiskey and other distilled spirits, and France first of the wine-drinkers. The other countries compared were Spain, Italy, Austria-Hungary, Portugal, China and Argentina.

Tea consumption in the twelve countries named aggregated in 1904, over 510,000,000 pounds. Of this, the consumption in the United Kingdom was 256,500,000; Russia, 127,333,000; United States, 109,666,000, and Germany, 7,000,000.

Of coffee, the world's consumption is approximately 2,250,000,000 pounds. In this the United States, as already indicated, holds the first place, with a total consumption in 1904 of 961,000,000 pounds; Germany second, 397,000,000; France third, 168,000,000; Austria-Hungary fifth, 108,666,000; Italy sixth, 39,000,000, and the United Kingdom seventh, 29,500,000 pounds.

The statistics of beer consumption are available for only eight countries, with a total of 5,753,000,000 gallons annually. Germany had a total consumption of 1,783,000,000; the United Kingdom, 1,501,000,000; the United States, 1,494,000,000; Austria, 492,000,000; France, 289,000,000; Hungary, 38,333,000, and Italy, 6,750,000.

The consumption of whiskey, brandy, and other distilled spirits in the eight countries for which statistics are available amounted to 687,000,000 gallons—that for Russia being set down at 174,000,000 gallons; Germany, 124,333,000; the United States, 121,000,000; Austria, 82,500,000; France, 72,333,000; the United Kingdom, 58,333,000; Hungary, 43,500,000, and Italy, 11,000,000.

Wine consumption in the nine countries for which statistics are presented amounts to 3,090,000,000 gallons annually, principally in the Latin countries. France alone consumes 1,343,000,000 gallons annually; Italy, 928,500,000; Spain, 331,500,000, and Austria-Hungary, 231,000,000; Germany consumes

124,000,000 gallons of wine annually: Portugal, nearly 72,000,000; the United States, 43,333,000, and the United Kingdom, 16,666,000.

The per capita consumption of the various beverages in the principal countries presents some sharp contrasts. Thus, in the per capita consumption of tea the United States is credited with but 1.34 pounds as against six pounds for the United Kingdom: while in the other countries presented the annual consumption per head of population is in each case less than one pound.

In the per capita consumption of coffee the relative rank of the countries named is: United States, 11.75 pounds per head of population; Germany, 6.65 pounds; France, 4.29 pounds; United Kingdom, 0.69 pound, and Russia, 0.15 pound.

Of beer the per capita consumption in the latest available year was as follows: United Kingdom, 35.42 gallons (thus exceeding Germany with her 30.77 gallons); Austria-Hungary, 20.36 gallons; United States, 18.28 gallons; France 7.41 gallons, and Russia, 1.08 gallons.

The United States (1.48 gallons), United Kingdom (1.38 gallons), France (1.85 gallons), and Russia (1.26 gallons) differ little in their per capita consumption of distilled spirits. In wine, however, the per capita consumption varies greatly among the various countries, from a minimum of 0.39 of 1 gallon in the United Kingdom to 34.73 gallons in France, while the other countries, arranged in the ascending scale, stand, United States, 0.53 of 1 gallon; Germany, 2.08 gallons; Hungary, 3.75 gallons; Austria, 5.85 gallons; Portugal, 14.12 gallons; Spain 17.82 gallons, and Italy, 28.06 gallons.

CHAPTER XXX

TOIL VERSUS LUXURY.

Millions Wasted by the Rich in Shameful Extravagance, while Children of the Poor Work for Nine Cents a Day—A Fifteen Million Dollar House—Evils of the Sweating System in Large Cities.

IF THERE is any one thing which is causing thinking people to pause in their busy modern lives to consider in this day of the "square deal" it is the great disparity between the rich and the poor, between those who toil in the endless struggle to gain a bare existence equal to that of the lowest animal and those who daily squander immense fortunes in extravagance and luxury. That the saying "the rich are growing richer and the poor, poorer" is only too well founded in fact is apparent to those who consider the lives of the multimillionaires and those of the victims of the evil sweatshop system.

Government statistics alone throw a great light on this condition. The Bureau of Statistics in a bulletin showing importations into the country classed "luxuries and articles of voluntary use" reports these imports in 1890 at \$129,147,547 and in 1904 at \$137,099,554. In the interim the value went as low as \$78,541,889 in 1896 and as high as \$141,911,222 in 1903, but between the year at the beginning of the period and that at the end there was an increase of less than \$8,000,000.

In the meantime there was no doubt an advance in the consumption of such articles that more than kept pace with the increase in population. This necessarily denotes more than a proportionate increase in their production at home. During the period of fourteen years

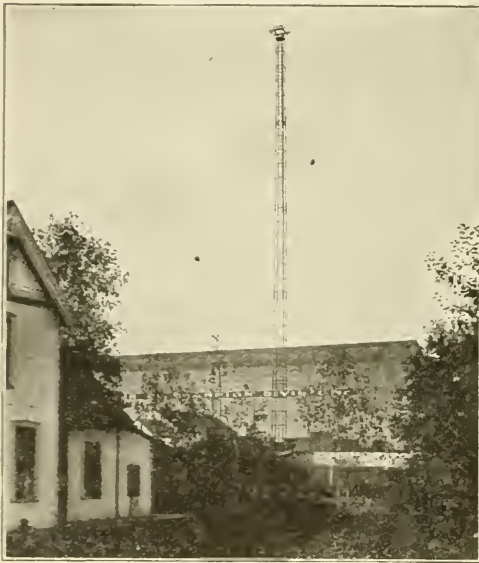


THE WORLD'S LARGEST CAMERA.

Today photography is recognized alike as an industry, a science, and an art. The public demands photographic illustrations for its books, remaining no longer contented with imaginative views. The camera shown measures eight by four and one-half feet, and one sensitive plate for a single photographic exposure costs \$500. It is used for birdseye views of cities, farms, industrial and manufacturing plants, etc. Some of the photographs in this book were made by it.

the importation of articles classed as "manufactures ready for consumption" advanced only from about \$150,000,000 to \$158,000,000, while the importation of manufacturers' materials, raw and partly manufactured, advanced from \$283,000,000 to \$478,000,000. From these materials luxuries and articles of voluntary use, as well as articles of necessity and comfort or convenience, were made.

Diamonds were one luxury of which the importation increased from \$1,500,000 in 1890 to \$23,750,000 in 1904, but we do not produce diamonds. Of



PHOTOGRAPHING FROM HIGH IN THE AIR.

This is a photographic tripod 200 feet high used in making birdseye views of manufacturing plants and small towns. Views including thousands of men and women, actually recognizable by their friends, can be made when occasion demands. The tower is telescopic in construction, of seven sections of 32 feet each. The tower is held erect by 24 steel cables.

those imported last year, \$10,000,000 worth were uncut and were in a sense the raw material for labor and skill. The value of jewelry and precious stones other than diamonds, imported from abroad, fell from \$10,189,202 in 1896 to \$5,548,224, but the domestic production of jewelry has largely increased. The census shows that the capital employed in the manufacture increased from \$11,000,000 in 1880 to \$22,000,000 in 1890 and \$28,000,000 in 1900, while the advance in the value of the product in these two decades was from \$22,000,000 to \$34,750,000, and then to \$46,500,000. Practically all of this was for home consumption. There was a still more striking advance in the production of silks, for which the material is all imported. Our importation of silk manufactures fell off from \$41,085,-

990 in 1890 to \$31,030,522 in 1904. Again taking the census years, we find that the number of establishments engaged in silk manufacturing in 1880 was 382, and the value of the product \$41,000,000. In 1890 there were 472 establishments and a product valued at \$87,299,454, while in 1900, with 483 establishments, the product had increased to \$107,256,258. This too, was practically all for home consumption. In the last four years, from 1900 to 1904, the importation of raw silk increased from 8,209,818 pounds, valued at

\$31,790,531, to 16,578,005 pounds, valued at \$54,879,276. The importation of wines in 1890 amounted to about \$10,000,000 and had increased but slightly in fourteen years, but domestic production increased from \$24,000,000 to \$38,500,000.

If these figures mean nothing to the average reader, let us turn to observe some of the many luxuries about the many \$5,000,000 homes of our millionaires. With the tremendous growth of private fortunes in recent years it is not surprising millionaires who have nothing else to do with their money should spend it upon palatial residences. Nowhere in Europe can such extravagance in this direction be found as in the groups of residences of the well known financiers of New York. Twenty-five years ago \$1,000,000 was supposed to be the limit of expense for a private dwelling, but today the million-dollar mansion is somewhat commonplace. Andrew Carnegie's Fifth avenue house is said to have cost \$2,000,000 and that of Charles M. Schwab \$3,000,000. But that of Senator William A. Clark, lately of Montana, so far outshines everything else as to cost somewhere near \$15,000,000. To give an example of the luxury in which the modern millionaire lives it may be worth while to describe some of the appointments of this most luxurious of private palaces of the world.

About \$5,000,000 will be spent on Clark's house itself, while interior finishing and furnishings, art work, etc. will come to about \$10,000,000 more. There will be 120 rooms in the house when it is completed, to say nothing of twenty bathrooms. It will have accommodations equal to those of a great public building. Inside this palace will be three distinct domiciles, entirely apart and separate from the main establishments, each with its private dining room and independent communications with the kitchens. Thus three families may stay in the palace as guests at one time without rubbing elbows. The lining of each bathroom is of Carrara glass and this costs \$2,000 each, or \$30,000 for the fifteen private baths. In the basement a fully equipped Turkish bath is found, lined with the same glass, with seats and benches of marble and with a vaulted ceiling tiled in mosaic. Here there is a "plunge" for swimming, which is supplied with flowing filtered water. Numerous attendants are always at hand. About \$250,000 worth of bronzes are used in the building. Senator Clark had to establish or buy six bronze and marble works to fit up his palace with luxurious appointments.

But such needless display of wealth is not the only shocking contrast with the poverty of our congested cities. The manner in which the rich indulge in luxurious pastimes and dress is a striking commentary on the shameful misuse of wealth today. At some of the fashionable entertainments of the rich the

"souvenirs" by way of novelty are stacks of chips worth fifteen dollars each at some exclusive gambling resort. It is recounted that at a dinner given by a prominent speculator at the Waldorf Astoria hotel in New York, neatly tucked in the napkin of each guest were four shares of United States Steel stock as souvenirs. The tables of these spenders of billions are adorned with solid gold or silver plate and some families boast of china costing three or four thousand dollars a dozen. While thousands of the poor go without shoes on their feet there are people who wear shoes costing \$500 a pair. The jewels that burden the wives and daughters of the wealthy sometimes cost as high as \$100,000 for one woman. A "simple" gown costs \$800 or so, and a "decent" toilet \$5,000. It is not uncommon for a woman to carry a fan costing \$250, and articles of this nature are frequently given away as souvenirs at great dinners. Parasols cost more, running often to \$500. As for bonbons and candies, a box holding a few pounds often sells at \$50.

To contrast these phases of luxury with some of those of penury and toil an example is found in the sweating system. This is the practice pursued by certain manufacturers, especially in the clothing trade, of giving out work to be done at home and at starvation wages. This exists principally in large cities where many poor people are housed in unsanitary tenement houses, and in order to get any work at all so as to keep soul and body alive accept whatever wages are offered. The system now has been changed greatly from what it was at one time, largely through the insistence of the trade unions. The term "sweater" was first used by tailors of London who worked long hours. Today the system embraces the rag ends of many industries where low wages and bad conditions prevail. The work is always of poor grade and the laborers are of a very low class, generally working under Jewish subcontractors. Cheap cigars, bread, candies and garments are the principal products of this degraded sort of toil.

The evils of the sweat shop are many, chief of which are the long, tedious and irksome hours; the packing of both sexes in hordes in small rooms to labor, and the unsanitary conditions that invariably obtain under such surroundings. Often the sweaters work eighteen hours a day with little air, light or heat. Child labor abounds in the system. Women about to give birth to children have been known to keep at their drudgery until the moment of delivery and then the only privilege granted was the stretching of a curtain across one corner of the room while the child was born, with the meager assistance of a woman associate in the sweat shop. Students of conditions which have made tuberculosis the "great white plague" have shown how conditions such as surround these places

kill off the working people in great numbers. Some of the principal causes for the sweating system and its evils are the excessive supply of unskilled labor, the great saving to the employer by grinding down the poor and avoiding rent, and the indifference to the evils of the system by employers and the public. Many remedies have been proposed, among which are severe legislation, which fortunately is now becoming the rule, co-operative production by the workers, trade-unionism, public workshops, restriction of immigration, etc.

While the sweatshop is one of the great evils attendant upon modern charitable business methods, it is not the only one. In the South the great bane of labor is the factory evil. A committee appointed to investigate child labor reported that of those employed in the cotton factories from 1870 to 1880 the number of men over 16 years of age increased 92.8 per cent, of women over sixteen 77 per cent and of children under sixteen the increase was 140.9 per cent. In the next ten years the increase was 21.8 per cent for men, 269 per cent for women and 106.5 per cent for children. From 1890 to 1900 the number of men increased 79 per cent, women 158.3 per cent and children 270.7 per cent. Of a total of about 45,000 textile workers of North Carolina in 1901 about 8,000 were under fourteen years of age and the average wage that year was decreased from 32 cents to 29 cents a day. The daily wage of the factory children of the South is often as low as 15 cents; it is sometimes as low as 9 cents.

The "Sand Rat"—The Most Perilous Work In The World.

Imagine yourself imprisoned in a floating tomb working at the bottom of river in search for a solid foundation in the sand of the river-bed on which to erect a bridge and you will have a faint idea of the work of the "sand rat"—the most perilous work in the world. The "sand rat," who is generally a union man, is well paid, but when one thinks of high wages he need not think it is a "paying job," for the laborer is selling his time at a low figure considering the fact that daily almost human lives are sacrificed up to the demon Death who claims his victims as the price of the onrush of civilization. That the loss of life in this work is not greater is really miraculous.

Recently in the Mississippi River, near Thebes, Ill., five caissons were sunk with the phenomenal record of not a life lost. But this was exceptional. These caissons are like huge dry goods boxes, and usually they are built on "ways" and launched in the river like a ship. Then they are floated to the position they are to occupy over the river bottom on which the bridge founda-

tion is to be built. Sometimes these caissons are as large as $32\frac{1}{2} \times 82\frac{1}{2}$ feet. They are calked with oakum so that not a drop of water can leak through them and a few feet up from the bottom edge of the box is a series of steel arches running crosswise and secured to the sides of the box. The box has a ceiling of concrete and below this is a great air chamber in which the "sand rats" work. Near the center of the concrete ceiling of the caisson are set steel



Upwards of 4,000,000 sheep arrive at the Chicago Stock Yards annually—which means that there is also that number of pelts—one of the most valuable parts of the animal, to be taken care of by proper processes. The fleece is spun into yarn for making our clothes, while the skins are tanned into leather and used for various purposes, one being the binding of books.

tubes running down into the air chamber. One of these is arranged so that a stout man can get into and out of the air chamber. Others are to permit the removal of dirt and stone excavated and to admit material for construction of the foundation work. Each of these tubes is equipped with an air lock, so that man or material may be lowered or taken out of the great submerged box without the escape of compressed air which the caisson should hold all the time.

When the apparatus is ready for work, the caisson is floated into position, the air is pumped into the air chamber and on the top of the caisson masons build a huge stone pier. The weight of this masonry soon sinks the caisson to the bottom of the stream in the position it is to occupy for building the foundations. So carefully has the mason-work been constructed that the huge box does not topple over, but settles slowly and evenly and the great weight anchors it firmly to the bottom. Then the work of the "sand rats" begin. They have descended through the tubes into the air chamber and they dig into the sand a great excavation just large enough to permit the caisson to fit snugly into the ground. The men live in this caisson practically till the pier has been fixed to the earth. The task they perform is done under much the same conditions as that in a diving bell. They can cut rock and blast it and dig up the sand. All the time they seem unmindful of the great peril in which they exist.



STEAM TRACTION ENGINE PLOW.



CARROLL D. WRIGHT,
United States Commissioner of Labor.



JOHN MITCHELL,
President United Mine Workers of America.



SAMUEL GOMPERS,
President of the American Federation of
Labor.



FRANK P. SARGENT,
United States Commissioner of Immigration,
formerly Grand Master Brotherhood
of Locomotive Firemen.

CHAPTER XXXI

MUSCLE AGAINST MONEY.

Where the "Square Deal" Doctrine Should Rule at All Times—Growth of Organization in the Industrial World—Labor Legislation—Child Labor and the Law.—The War Between Capital and Labor.

TODAY the most glaring examples of a situation where the true American doctrine of the "square deal" should be the rule of practice, but almost invariably is absent, are to be found in the remorseless, bloody and incessant struggle between money and muscle, in the war between capital and labor. It was impossible, when evolution in business was bringing forth monopoly in capital and legalizing it through giant corporations, mergers and trusts, that a similar process should not be taking place among those who had only human strength to sell and the sweat thereof—labor—instead of the capital of the growing captains of industry.

So slow, however, was the growth of organized and systematic labor co-operation, until recent years, that the capitalist paid little attention to the signs which indicated such concentration of power in the hands of labor leaders as might be dangerous in case it were put to arbitrary use. Rather the capitalist proceeded in his own quest for power through monopoly and trust aggrandizement, now and then throwing some sop to the struggling working man, until trade unionism—the Labor Trust—had gained such headway, through organization, public sentiment and legislative reforms, that further usurpation of power or demands by labor for new concessions brought a systematic organization by capitalistic forces to combat every movement made by the opposing side.

This call to arms came in the summer of 1903 and resulted in the formation of the Citizens' Industrial Association of America. And it is this alliance of more than 500 business men's organizations, reaching from New York to San Francisco and from the Gulf of Mexico to the Great Lakes, that now is confronting the American Federation of Labor with its million and more members to fight out the battle of the classes.

But let us take the matter up nearer the beginning. This mighty struggle

apparently had its cause in the foundation of things. There was a time when it was characteristic of certain writers on economic subjects wholly to ignore labor as a factor in the production of wealth and to ascribe all importance to that portion of capital accumulated in precious metals. Even more impossible conceptions existed when slavery was tolerated as good morals. As a matter of fact slave labor was a basis for all the early known civilizations. Then might was right, and a conquered race of human beings or prisoners of war labored, while the ruling class, inevitably drawn down into degeneration by its lusts, extravagances and supineness, was eventually overcome either by new and more vigorous races or by its own slaves. From time to time there were more or less definite struggles for such share of the "might" by the laboring class as would give them some new "right." In the middle ages, and even in a certain degree in modern Europe, the slave system of labor was known as serfdom. The serf, while being bound to the land and compelled to obey his feudal lord, had certain privileges which the lord respected. While such a system thrived under conditions that existed in olden days, it was ill suited as one of the agencies that was destined to bring forth the great industrial age. Therefore it gave way to the system of free labor. England was the first to profit thereby in the fifteenth century; France and Germany followed, and Western and Central Europe was freed from serfdom by the early days of the nineteenth century. Russia did not submit until late in the nineteenth century. In America the new form of negro slavery was a potent factor in the early development of the South, but this proved as intolerable as serfdom and culminated in the civil war and the Emancipation Proclamation.

Though the freedom of the laboring class from legal slavery generally was not effected until comparatively modern times, organizations for the betterment of those who were working independently began with the journeymen clubs and guilds of the Middle Ages. The nucleus of modern trade unionism was seen frequently after the fourteenth century, when bodies of workmen maintained somewhat continuous existence and regulated apprenticeships, paid benefits and struggled with employers in a manner that suggested perhaps the modern weapons of the strike and boycott. While this development seemed steady it was not marked so long as employees and employers were so closely allied as to live in the same house. Indeed, the trade union as we find it today was largely, if not wholly, the result of the modern factory system and the sharply defined division of labor. Therefore, we may expect to see trade unionism beginning to flourish about the latter half of the eighteenth century or early in the nineteenth century. This, in fact, is what is found in history.

And it was a struggle against great odds from the first on the part of the laboring class—that is, the wage-earning class as distinguished from the wage-paying class; the latter may be distinctly of the class that works, yet gains its recompense by profits rather than wages.

In England Parliament was hostile to every early combination of labor. Laws regulating wages, apprenticeship, etc., were enacted and the trade unions largely bent their efforts toward having these laws obeyed—a thing which the



INTERIOR VIEW OF A MODERN MACHINE SHOP.

Manufacturers discriminate as much in the employment of labor as do the great financial institutions. In this photograph you will note the indelible mark of intelligence on every man's face—also the general air of cleanliness and prosperity.

employers frequently found it profitable not to do. At one time laws in England prohibited every kind of combination, whether of laborer or employer. As a matter of fact these laws largely were aimed against the laboring class alone, and for nearly twenty-five years unions were driven into hiding. Then in 1824, the Combination Acts were repealed, and although shortly afterward fresh restrictions were enacted, labor was allowed to combine to regulate wages or hours of labor. But with this opportunity for organization came the great natural result—outbreaks of strikes that were as costly as they were

generally unsuccessful. In 1830 there began to spread a socialistic movement which had for its basis a hazy idea that the wage system should be abolished and be succeeded by some scheme of co-operative production. This movement gained great headway, within a few weeks the unions gaining half a million members. From time to time the movement toward uplifting the masses of laborers one way or another changed form. At times it took on political aspect.

Eventually the English labor leaders who were most successful tried the method of organizing the unskilled workers of the large cities and, by the forces thus gathered, to compel concessions. This method gained its early visible and far-reaching victories beginning with 1889, when the famous London dock-laborers' strike, under the leadership of John Burns, was granted public support. In most of the struggles at this time the points at issue were such tangible questions as the plea for an eight-hour working day, sanitary factory regulation, etc.

The movement in the United States patterned largely from the example of England and developed simultaneously with it. As in that country from time to time demonstrations of a political character were seen. Here the early history of trade unionism at times was marked with attempts at socialism. Here also the exclusiveness of the union, which was regulated principally for individual trades, was considered too narrow a policy for success, and eventually this gave way for wider movements and federations of national scope, such as the National Labor Union, which was followed about 1872 by the Knights of Labor. Recently formed general unions are the American Federation of Labor with something like 27,000 local unions and about 1,500,000 individuals under its control, and the American Labor Union.

All the time labor was perfecting its organization, until it could wield such power as that of the closely knit American Federation of Labor, there had been a constant fight going on for labor legislation. We know today what influence is to be found in politics from the labor vote. And former history was not wholly unlike that of today. While the steps taken by labor organizations to secure laws which would redound to the benefit of all society are of great interest, it must suffice here to point out a few of the things that trade unionism has fought for successfully. In the main this legislation in the United States is embraced in four movements—those for the regulation of the hours of labor, the protection of health, the payment of wages and the liability of the employer. Today many of the existing laws are conceded to be wholesome and for the good of all concerned: but the enactment of

these laws was secured only by the hardest struggle against the lobby of employers.

In the matter of hours of labor there are few laws regulating the time of work of the adult male. In April, 1905, indeed, the United States Supreme Court ruled against a law of the state of New York which had attempted to limit the hours of labor. On the grounds of public health and morals a law had been enacted which would not permit work in such branches of labor as baking more than sixty hours a week. The court, however, found the law to be unconstitutional and rendered the verdict in these words:

"There is no reasonable ground for interfering with the liberty of persons or the right of free contract by determining the hours of labor in the occupation of a baker. Bakers are in no sense wards of the state. Viewed in the light of a purely labor law, with no reference whatever to the question of health, we think that a law like the one before us involves neither the safety, the morals nor the welfare of the public, and that the interest of the public is not in the slightest degree affected by such an act.

"It is a question of which of two powers or rights shall prevail—the power of the state to legislate or the right of the individual to liberty of person and freedom of contract. The mere assertion that the subject relates to the public health does not necessarily render the enactment valid. The act must have a more direct relation as a means to an end and the end itself must be appropriate and legitimate before an act can be held to be valid which interferes with the general right of an individual to be free in his person and in his power to contract in relation to his own labor. We think the limit of the police power has been reached and passed in this case.

"The employe may desire to earn the extra money which would arise from his working more than the prescribed time, but this statute forbids the employer from permitting the employe to earn it. It necessarily interferes with the right of contract between the employer and employes concerning the number of hours in which the latter may labor in the bakery of the employer. The general right to make a contract in relation to his business is part of the liberty of the individual protected by the fourteenth amendment to the federal constitution. Under that provision no state can deprive any person of life, liberty or property without due process of law. The right to purchase or to sell labor is part of the liberty protected by this amendment, unless there are circumstances which exclude the right.

"It seems to us that the real object and purpose was simply to regulate the hours of labor between the master and his employes, all being men sui

generis, in a private business not dangerous in any degree to morals or in any real and substantial degree to the health of the employes. Under such circumstances the freedom of master and employe to contract with each other in relation to their employment and in defining the same cannot be prohibited or interfered with without violating the federal constitution."

If such was the case with men, however, it was somewhat different with women and children. For years children as young as five years of age were worked at tasks that should not have been permitted. In the South today many cotton mills employ children even to work all night. The fight, principally by the trade unions, has abolished much of this and today laws exist in most states prohibiting the labor of children in factories, workshops and mines before a certain age is reached. This age differs, some states ruling ten years a suitable age to begin drudgery and others twelve or fourteen years. Restrictions are generally placed on the amount of work that can be done by children of these ages. Even with these laws child labor still abounds in the United States to the impairment of the physical, mental and moral health of the community. Inasmuch as the employing class is permitting such abuses obviously it depends largely upon the stronger portion of the laborers—the organizations—to check them.

The case of the woman laborer is somewhat less hopeful than that of the child. Absolute prohibition of female labor in mines is found in some states, and restriction as to the number of hours a woman should work also is found in legislation in some communities. Generally, however, regulation is meager.

In spite of all the abuses seen today in the sweat-shops and other vile and foul surroundings in which human beings are compelled to work, progress towards sanitation has been remarkable since the labor organizations began insisting upon reform. In every state some sort of regulation has been enacted into law. Some of the acts provide for a given amount of air space to each workman, for protection from fire, dangerous machinery, etc., and for fans to remove poisonous air, vapors or dust. Some laws go so far toward the protection of human life as to prohibit the sale of goods made in sweat-shops—particularly clothes made up in unsanitary dwellings or tenement houses.

Akin to these health laws are those which make the employer liable for damages when an employe is injured by accident other than by negligence while actively under his employ. This sort of legislation has been fiercely combatted by corporations, especially by the railways, and in many instances have been all but nullified by other laws which exempt the employer in case the accident is the fault of a fellow workman. Efforts now are making to place the

burden of the responsibility of accidents upon the employer, and generally that is the case now with railway companies.

Legislation looking to the regular payment of wages at stated intervals has been invoked in a few states, but the question of its validity has been raised. More general is the law specifying that actual money and not commodities shall be paid in compensation for labor. These laws, of course, are not by any means all that have been enacted in behalf of labor. In their wake have followed acts for factory inspection, employment bureaus, and many other functions of government, which, however, in turn have been accompanied by adverse labor legislation providing against such specific weapons of the trade unionist as the boycott, the molestation of private business by pickets of the unions, etc.

The Labor Problem.

Obviously not all the concessions desired by organized labor through its various agencies could be secured by the enactment of laws. Statutes that were as loose as the eight-hour law of New York would be declared unconstitutional as fast as they might be made. Therefore the wage-earning class had access to other means to solve its side of a knotty problem. And before we go further in this matter we may as well point out one or two fundamental questions which lie at the basis of what is termed the labor problem. Generally speaking, the principal stumbling block to amicable relations between the employer and employe, between capitalists and laborer, has been the matter of the equitable distribution of the results of the combined forces of capital and labor—in other words, the question of the division of the wealth produced. But while this has been one of the main questions for dispute, it has been founded in something perhaps even more fundamental—the conception on the part of the workman that he has a birthright, by reason of his very existence, which calls for not only tolerable existence here on earth but some of the positive good things of life. Perhaps the majority of organized laborers themselves do not definitely understand the instinct which surges within them, working toward the evolution of a higher type of man. But this instinct exists, it seems, in a great measure, and appears to be growing into almost a sixth sense with those who are finding greatest difficulties to attain to something of a higher development which the law of evolution demands. Under these circumstances there has developed apparently without unnaturalness an intuition to “fight for the cause.” The trade unionist says that the moment wages are raised to meet a demand of labor, the price of the commodity produced also is raised, thus cancelling the

first gain. If shorter hours of work are granted the concession is offset in some similar fashion.

The development of the class instinct with the capitalist is identical. The right of free contract has been guarded with such jealousy that any attempt to infringe upon it meets with such force as is available to the allied millions of capital's wealth. The capitalist says he cannot continue to operate a business unless there is a given amount of profit in the business to him. He threatens to retire from business if "labor becomes too exacting," and he frequently carries out his threat. But labor replies that today, with wealth concentrated in the trusts, a concentration effected with the people's savings, business no longer is a private affair of the employer, but is a matter of general welfare.

This brings up the idea that the workman has a right to work at his chosen calling and to be, in a considerable measure, the one to decide on what terms of hours, wages, etc., he shall employ himself. The capitalist class, however, combats this theory as unstable. The employer insists that just so long as he has command of the tools of production, such as money, land, etc., he will run his "own business" as he "sees fit."

It can be seen readily enough that the lines on which these two great forces work run parallel with each other at best, and never really approach each other. It is little wonder then that we see actual war and bloodshed between these classes, with riot, arson and mob rule on the one side and the adroit resort to bribery, legislative corruption and legal oppression on the other. On the part of the employer frequently there is arrogance and stiff-necked pride against submission to the demands of labor. On the part of labor frequently there is the unwise conception that it may be illegal to break statute laws, but that, just as this was done at the Boston Tea Party and at the Declaration of Independence, in order to enforce a moral law, so today the oppression of modern George the Thirds may call for extreme measures. And now of one party and now of another, and often between both upper and nether millstone, there is a mass of people who demand that evolution come by peace and not by revolution.



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"BREAKER BOYS," OR COAL PICKERS IN A PENNSYLVANIA MINING TOWN.

Coal is the most essential factor in the industrial activity of the entire world, excepting in isolated cases where power is generated by a water-fall. Electric light may partially supersede gas and reduce some of the coal consumption in this direction, but coal must be burned to generate the power which drives the dynamos. The output of coal in the United States is approximately 200 million tons every year. The boys in the photograph pick the slate and other impurities from the coal as it passes through the chutes and screens. They begin at an early age and reach manhood with but few opportunities of education.



BEEF DRESSING ROOM, CHICAGO STOCK YARDS.

This photograph was taken in one of the large packing plants during the strike of August, 1904. In all the different departments of this giant industry, is always found the utmost dispatch in handling—each skilled employe working as an automation. The photograph tends to show the disorganized spirit when it is necessary to employ unskilled labor, such as was the case during the strike mentioned.

CHAPTER XXXII

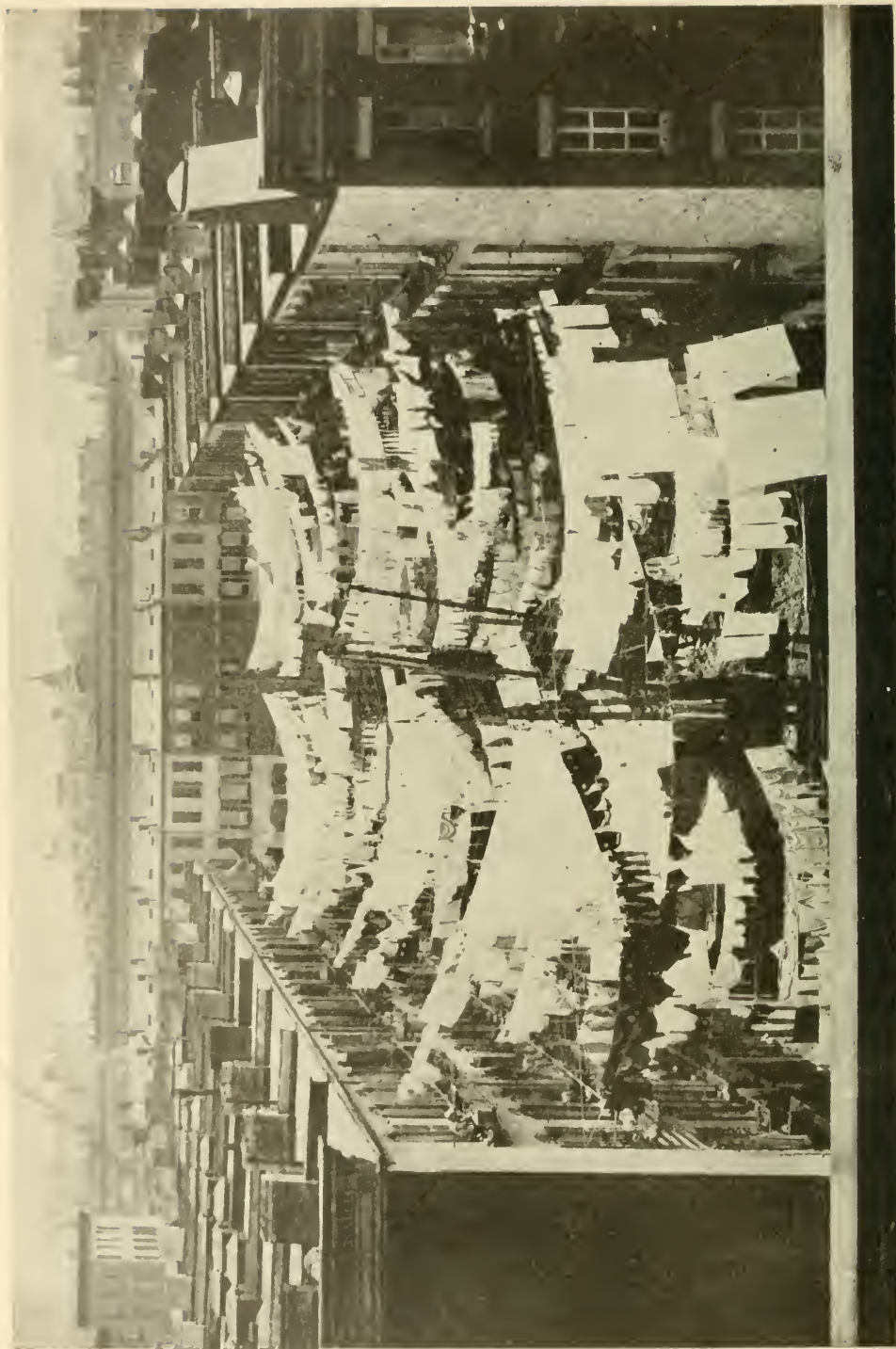
WEAPONS OF THE LABOR TRUST—THE STRIKE AND BOYCOTT.

The Arms and Ammunition of the Conflict—Skilled versus Unskilled Labor—Some Historic Strikes and Their Attendant Disorders—Methods of Attack and Defense.

HAVING organized with an idea more or less vague of gaining and maintaining a higher standard of living, the laboring class under the trade union regime perforce needed weapons with which to force their conceptions of right upon the employing class. Unskilled labor always is in such plentiful supply that the employer thought little of making contracts with this sort of workmen. The skilled workers, such as printers, carpenters, machinists, etc., possessed a knowledge required and needed by the employers and the men gradually were able to get agreements from employers. And yet both skilled and unskilled men found that they must work in unity for their common welfare, if they were to achieve their desired ends.

In this position two methods of offense and defense developed spontaneously: the strike and the boycott. The former weapon is the cessation of work on the part of a large body of laborers, acting in concert to enforce some demand made upon employers or to resist some encroachment of rights of labor by the employer. The boycott is the concerted action by a body of workmen to refuse to patronize an employer who is considered "unfair" to labor and to prevent as far as possible any one else from patronizing him. The immediate weapons in the hands of the employers which correspond to the strike and the boycott are the lockout and the blacklist. The lockout is the peremptory dismissal of a large body of employes by an employer, either to force a demand or to forestall a threatened strike. The blacklist is the list kept by employers containing the names of workmen obnoxious to a certain class of employers, because of activity in strike leadership or some similar action. Men on the blacklist find it almost impossible to get employment anywhere, for the list is circulated widely, and once having been blacklisted a workman's reputation follows him all over the country.

Underlying causes of strikes, according to tabulated statistics, run largely to wages, hours of labor, recognition of the trade union by capital to the exclu-



"BLUE-MONDAY" IN THE CITY—WASH DAY IN A CROWDED BLOCK.

Street and household life in a great city always has an unending interest to the observer. Wash day is just as regular in its arrival as it is in a village, and the freshly washed garments need sun and air for drying in like manner. Without spacious grounds or beautiful lawns, the people of the tenements must utilize what facilities they have. The narrow back yards between the tenements are criss-crossed with an apparent tangle of lines, some high in the air and attached to telegraph poles or from window to window. A glimpse of such a scene is peculiarly novel.

sion of non-union labor, good sanitation, etc. Indeed, the history of legislation in favor of better conditions for the working class has been followed somewhat closely by strikes and boycotts based on demands for such reform. Generally speaking, the demand for higher wages comes when there is prosperity, and the resistance to decreased wages comes with times of depression.

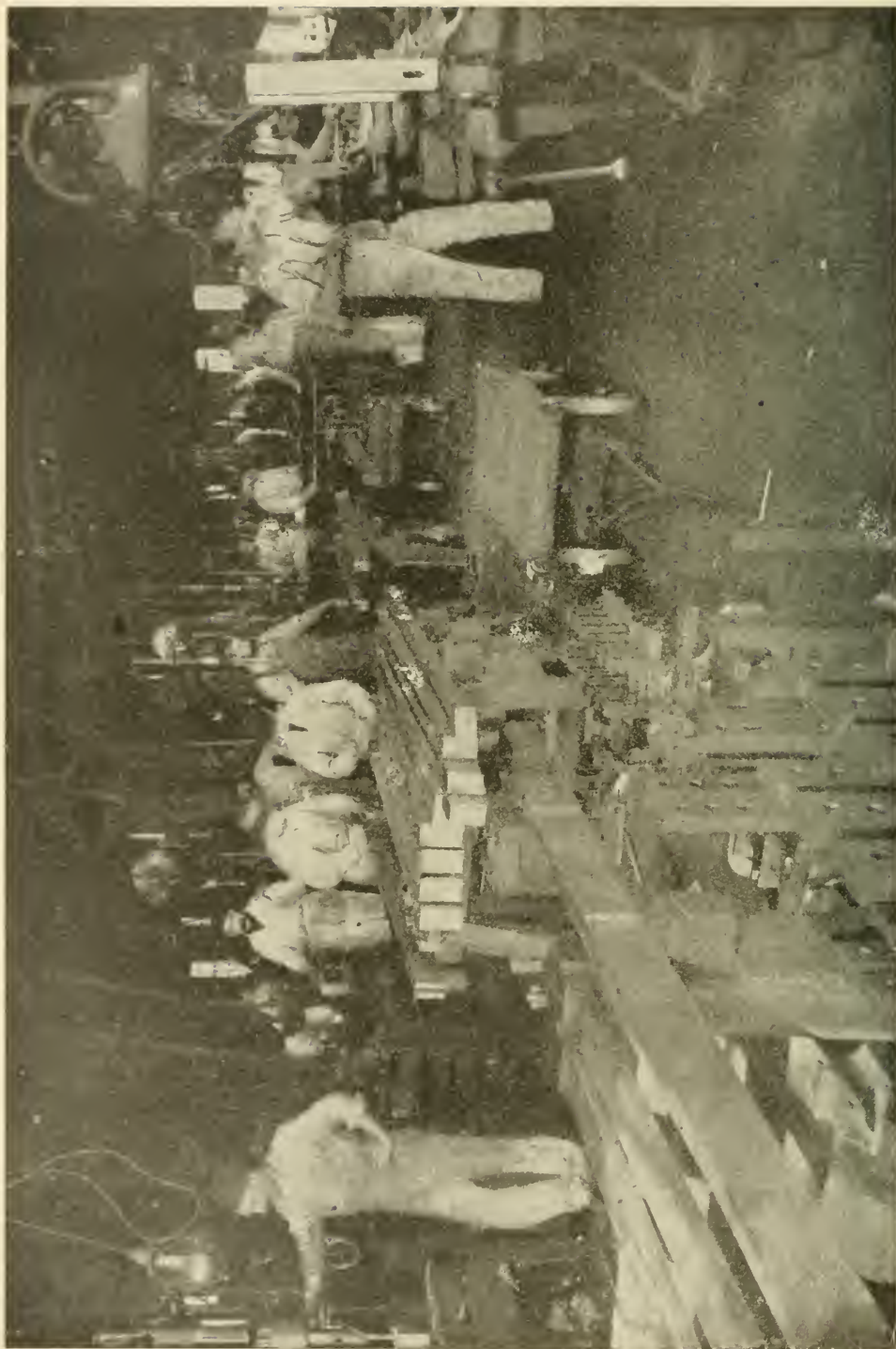
In the nature of labor organization the union tries to monopolize the forces at hand, and hence may be said primarily to be selfishly inclined. We find, therefore, that, since the whole capitalist class is allied against the encroach-



TAILOR SHOP.

In the making of fine garments male labor is employed almost exclusively, and the major part of the work is done by hand.

ment of the laboring class, the strike and boycott are used even for the forcing of demands greatly removed from original causes. Thus there is the sympathetic strike, by which unions allied with each other quit work in order to support one of their members, after the fashion of an offensive and defensive alliance between great nations. While many evils have been laid at the door of the trade union because of riots and disorder which have attended strikes, it seems that as organization becomes better defined and leaders of unions work along more definite lines to obtain definite ends the strike becomes more suc-



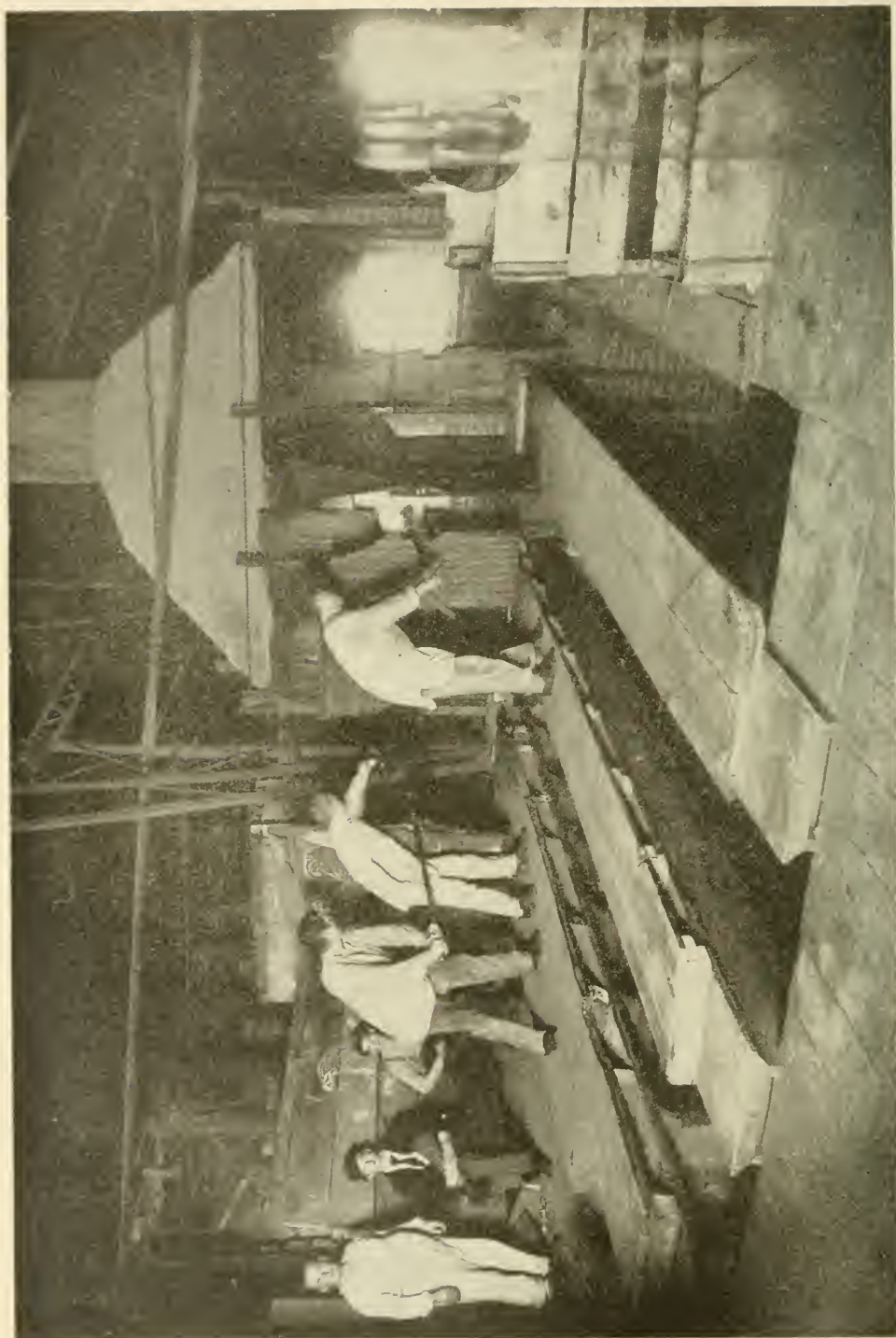
MAKING LOCOMOTIVE SPRINGS.

The size, strength and bewildering speed of the modern locomotive is not due entirely to the genius of designing, but also to the fidelity with which skilled labor constructs the same. Rarely, if ever, do these watchful mechanics allow any part entering into the assembling of an engine pass without the most minute inspection. This means a perfect locomotive and safe-guards life.

cessful as a weapon. In order to attain success the strikers almost invariably depend upon public sympathy. The better organized and better led associations of laborers recognize this principle and they realize that the violence attendant upon strikes almost always is blamed upon the strikers, whether it comes from a semi-criminal floating population or from the unions themselves. The public for a time will put up with inconveniences caused by cessation of industry if some great principle is at stake, but when violence or great waste of wealth results in widespread suffering, public opinion often steps in to put a stop to the strike.

Under circumstances which may lead to such public intervention the labor leader is coming to understand more and more that tact and preparation to carry out labor's side of existing agreements must be rules of conduct in strife for such rights as labor demands shall be recognized. Therefore majority rule generally obtains in the ordering of a strike. It is asserted often by anti-labor interests that workmen are forced to quit work when they do not wish to. This not infrequently is the case. But labor's explanation is something after this wise: all labor benefits by the granted demands of collective labor, hence all workmen should band together in the demand for such things as the majority shall deem wise. To put the matter in political terms, the laborer who is forced to go out on a strike against his immediate desires is in the same position as the citizen who, being of one political faith, is forced by the majority rule to live under the administration of a party of the opposite faith.

Naturally being of nearly a single type or class, the workingmen manifest a great loyalty to each other and to their cause. They believe it would be for their interests to be banded closely together in order to enforce what they consider their rights, just as capital has used the great forces of combination to bring about the trust. Each side is fighting for the biggest share of the wealth of the world it can get. In partisanship the trade unionist goes to the extent of supporting men out on strike from a general fund made up by assessing union members at work. This partisanship goes even farther; it practically ostracises the man who takes the place of the striker. This man, known generally by the opprobrious epithet "scab," in the eyes of the unionist is frustrating the best interests of labor as a class. The "scab" is often, not always, lower down in the human scale than the union man; hence, argues the unionist, he should work for his own uplifting in harmony with the union man. The "scab," according to the union man, trails along on the skirts of unionism, gaining what the union gains in prosperity and success, contributing nothing to the general advancement of the working class of which he is a member and

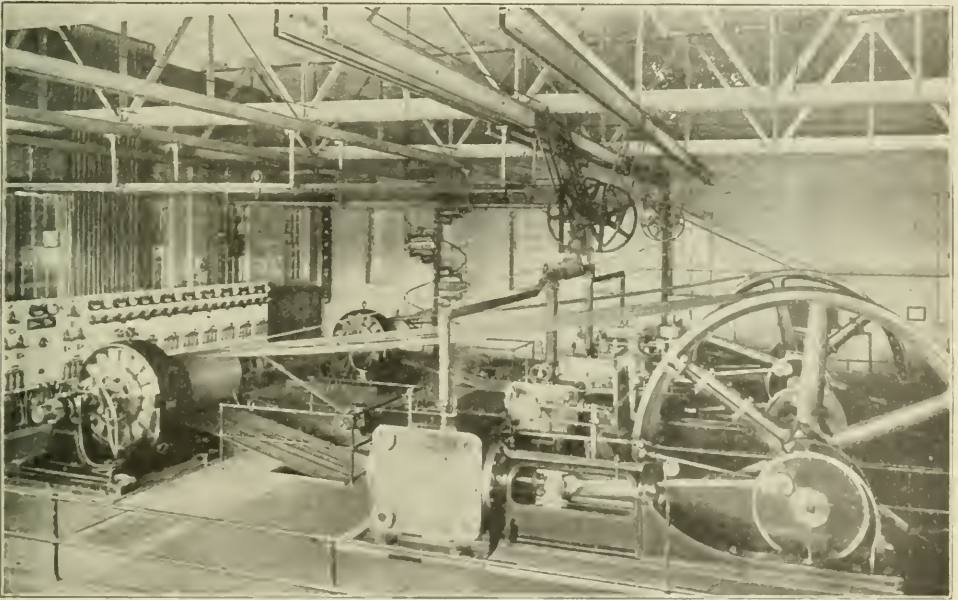


WINDOW GLASS MAKERS AT THE MELTING FURNACES.

This is probably the most strenuous work connected with the manufacture of glass. The men work before an intense heat. The nature of the work is such that short hours usually prevail and good wages are paid.

never sacrificing himself when a great crisis demands his aid. "The scab," says the trade unionist, "is like unto the man who will not go to war when his country calls, yet who reaps the benefits bought by the blood of his fellows." This conception of the loyalty and partisanship to the organized labor movement is necessary to the understanding of some of the great underlying causes which result in violence during strikes.

America has seen some great historic strikes. In 1877 one developed on the Baltimore and Ohio, Pennsylvania and other railroads which resulted in great

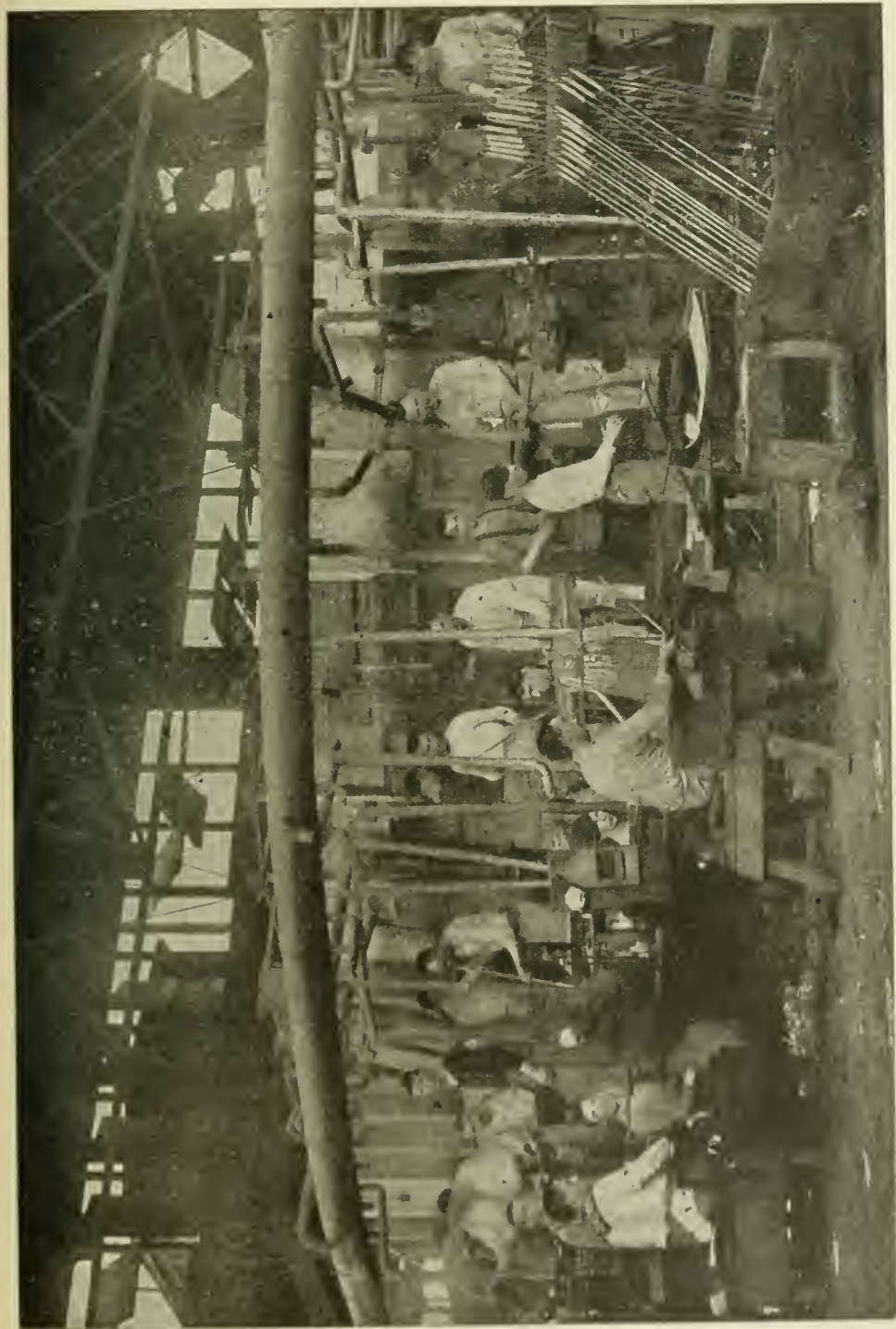


A CABLE ENGINE.

Man's mechanical ingenuity has always been devoted to the search for improvements in the application of mechanical power. We show cables passing over the wheels, which move and stretch them. In the meat packing industry, the carcasses of animals are carried on these endless cables, passing in turn skilled laborers who perform a certain duty.

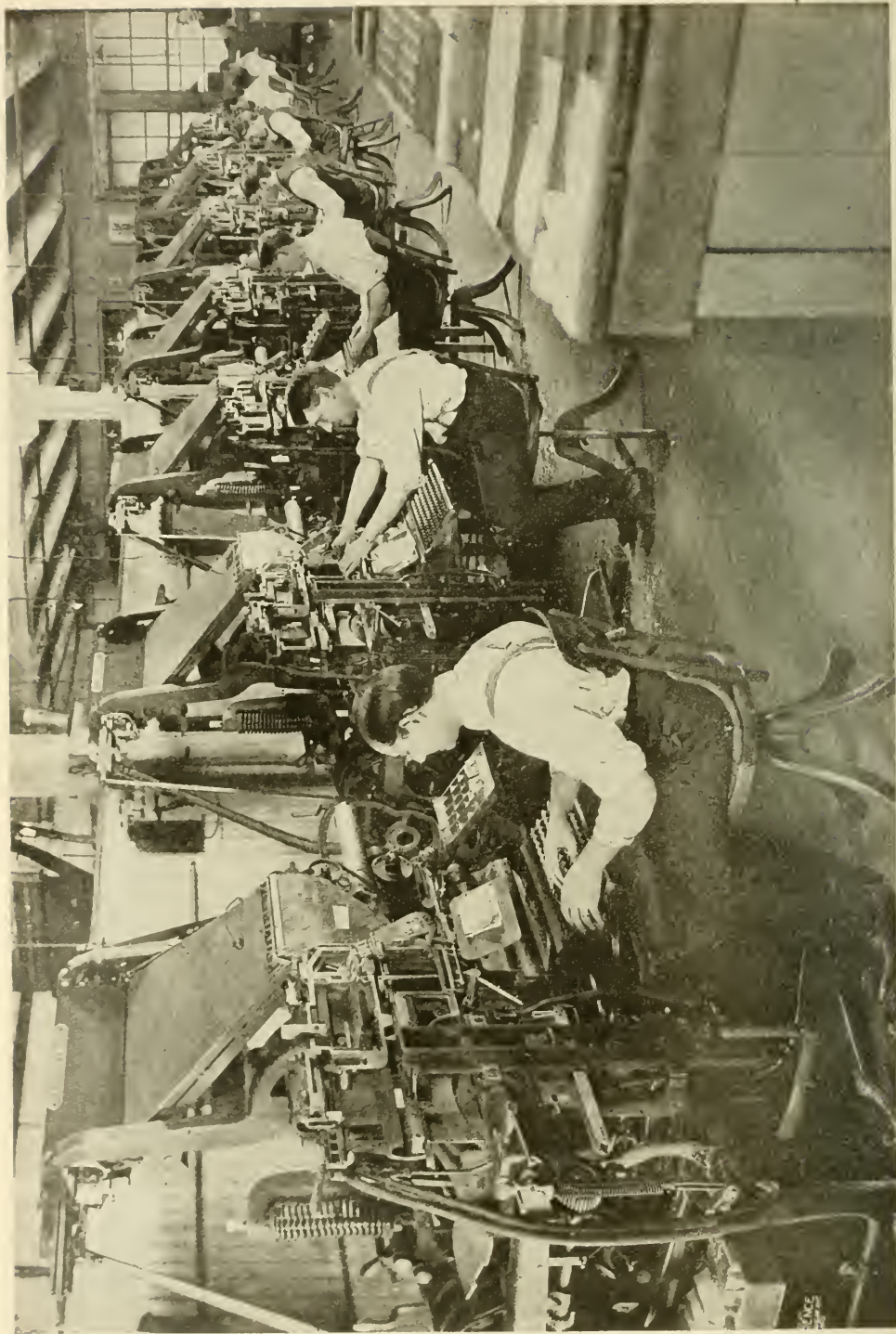
damage to property and which necessitated the calling out of the troops. In 1892 the Homestead strike at the Carnegie Steel Works was perhaps as bloody a conflict as has been recorded. In this strike an actual battle took place between Pinkerton detectives for the employers and armed unionists. The Chicago strike of 1894, which grew out of an effort of the American Railway Union, under the leadership of Eugene V. Debs, to boycott Pullman cars to aid the strikers at the Pullman car works, caused loss of life, the burning of cars and the calling of the national troops to quell disorder. The great anthracite

coal strikes of 1900 and 1902, the latter the one which was settled by the determined intervention of President Roosevelt, caused great loss of property and misery in many places because of the scarcity of coal during cold weather. In the recent miners' strike in Colorado, which was in charge of the Western Federation of Miners, the struggle was marked by the most serious kind of rioting, dynamiting, and civil war which martial law quelled only after wholesale arrests, imprisonments and trials, burning and confiscation of laborers' property and deportation of unionists from the state. In 1905 Chicago was the scene of a troublous strike, one of a series of difficulties in which teamsters fought in a systematic strike against what they said was a systematic effort on the part of the employers to put an end to all trade union principles. Here riots and killings occurred with great frequency.



GLASS-BOTTLE BLOWERS AT WORK.

The modern household would be at quite a loss without glass in its various forms. Its manufacture requires a great deal of skilled labor, as there have been but few labor-saving devices invented in this industry. The number of employees in the glass factories of one state, Indiana, number about 10,000 and their annual wages approximate \$5,000,000.



LINOTYPE COMPOSING ROOM IN A DAILY NEWSPAPER OFFICE.

Here is another example that "Improvement is the order of the age." Notwithstanding the fact that one operator can set about six times as much type as a hand compositor, there are more in the craft today than there ever was. The machines are very complicated and expensive, but are used in most of the large printing establishments.

CHAPTER XXXIII

THE CRIMES OF LABOR—STRIKE VIOLENCE AND ITS CAUSE.

The Rights of the Individual—Union and Non-Union Laborers—The Suffering Public Between Two Fires—The "Picket" and the "Scab"—Epochs in the Long War—"Bleeding Colorado"—The "Grafting" Labor Boss—Bribe and Blackmail—Who Is Responsible for the Disorders that Accompany Strikes?

"WHILE the right to enter upon a strike is and must be conceded as a right belonging to the personal freedom of the working men, this much must ever be demanded, and in the name of the same principle of freedom under which the men act who refuse to work: that they should cease to work must in no way interfere with the liberty of others who may wish to work. The personal freedom of the individual citizen is the most sacred and precious inheritance of America. The constitution and the laws authorize it. The spirit of the country proclaims it, the prosperity of the people, the very life of the nation, require it."—Archbishop Ireland.

While the trade unionist sees advantages to be gained in organization and finds the necessity of combatting the greed of organized capital by means of the strike and the boycott, public opinion, which is the final arbiter in all strife, runs very close to the dictum of Archbishop Ireland as set forth above. The fact that a long protracted strike is almost never unaccompanied by riot, murder, arson or other examples of lawlessness, has called up great condemnation of labor methods. The scenes in the contest between the mine owners and the Western Federation of Miners which brought for that proud western state the humiliating title of "Bleeding Colorado," and the almost endless procession of disorders following in the wake of strikes in Chicago, have called for remedies.

Doubtless not all the crimes charged to labor are due directly to labor. There are many vicious characters that hang upon the skirts of well-meaning unionists who are ever prone to throw the first stone which rouses mob spirit. This mob spirit does not exist simply in the matter of labor strife, for it is seen in the outbursts of lawlessness when some depraved wretch is lynched for a real or a fancied crime. The writer personally has witnessed labor riots in Chicago where the trouble was started by street urchins who were imbued with

the mob spirit to a certain degree and who vented it because of their intense hatred of the "scab" or "unfair" workman and because of their partisanship for the union.

It is not this phase of disturbance, however, which has exercised the thinking public to protest most emphatically against labor disturbances. The suffering public, which in these days of extensive industrial organization feels the brunt of a great coal, railway or packing-house strike, insists upon one thing, that street brawls, shooting and arson shall not be accompaniments of a strike which can be laid to the door of the labor organization running the strike. In almost every case this disorder and bloodshed is caused by the fact that a non-union man or "scab" has filled the place of the union striker. At once the striker endeavors by several means to prevent this usurpation of his position, for unless the industry against which the strike is called can be prevented from continuing its business, the strike will fail.

The methods of prevention are many and devious. The most common is that of "picketing." The union engaged in the strike appoints a number of spies or "pickets" whose duty it is to intercept the working non-union men or "scabs," and dissuade them from continuing work. Sometimes this is done by gentle means, but nearly always it is accompanied by threats of personal violence. This crusade against the scab extends to the non-union man's wife, children and other relatives. It is difficult always to prove that assault or murder of a non-union man is the direct work of pickets, but the court records are filled with enough instances where men have been found guilty of such action to place great blame upon the unions. This statement, perhaps, should be qualified by saying that the blame is placed more directly upon union leaders than upon the members of the unions collectively. This may be explained by developments that occurred at the time this was written. In Chicago a great strike was in progress. The union controlling the strike voted money for "educational purposes." The members turned the money over to the executive committee, believing it was to be used for peaceful persuasion of non-union men not to work in the places of the strikers. A man was killed because he "scabbed." Men were arrested and, according to their confessions, they had been hired to slug non-union men into submission.

"Bleeding Colorado."

So great were the disturbances in Colorado in the ten years from 1894 to 1904 that extracts are given here from a pamphlet issued by the Colorado Coal Mine Operators' Association which set forth some of the charges made against

the leading spirits in the Western Federation of Miners which called the great and bloody strikes from Cœur D'Alene to Cripple Creek:

"Neither the people of Colorado nor their Governor, James H. Peabody, hold organized labor responsible for the terrible crimes of the Western Federation of Miners. Neither do they contend that all members of this organization belong to the vicious or lawless class. It would be just as unreasonable to condemn the institution known as 'organized labor' for these crimes as it would be to condemn the republican form of government because of the crimes of the barbarous little republics of Central and South America. It was not a question of whether corporations, mine owners, alliances or unions should prevail, it was a question of whether or not law and security for life and property should prevail.

"The people of Colorado believe that the long record of outrage and crime given in this pamphlet justifies the following conclusions:

"1. That a large number of criminals and lawless men have been welcomed, supported and sheltered by the Western Federation of Miners.

"2. That the officers of that organization and a large number of the members, while perhaps not committing crimes themselves for which they can be prosecuted, do directly and indirectly advise or encourage the lawless among them to commit crimes.

"3. That these officers and this element preach disrespect for the law and contempt for the lawful authorities and openly and publicly, as individuals, approve of and gloat over the slugging, dynamiting and murdering of non-union men by their criminal associates.

"4. That where this organization has had its members in local public offices, or where it has had the power to influence peace officers and courts in this state, it has paralyzed the hand of justice and made it next to impossible to convict members of the Federation caught in the act of committing crimes.

"5. That this organization, having formally and officially espoused the cause of the so-called Socialist party, is opposed to our present form of government and is aiming at its overthrow, together with the abrogation of the present Constitution.

"6. That this organization teaches its members to regard the wealth they produce from the property of others as their own, thus encouraging theft (of ore, for instance) and also inflaming the minds of its members against their employers, against law, against organized society and against the peace and safety of the public."

The Grafting Labor Boss.

The vicious practices of certain elements of organized labor would not be recorded completely were not the sins of the labor boss recounted in some measure. Competent judges say the life of the trade union now depends upon securing honest and intelligent leaders, who on the one hand will not use such influence or desire for vain glory through ignorance as they can induce their followers to grant them power to lower rather than raise the condition of the members of the unions, by illogical and arbitrary methods and demands, and on the other hand will not sell out the interests of the union to the ever-ready capitalist with his bribing money bags. The latter condition is one which threatens only too seriously to undermine society today. The bribery of labor leaders cannot continue indefinitely, for its sanction by the union is of course impractical, and once the members of the union discover the practice the boss is dethroned as a general thing. But that this practice is growing to some degree is certain. The writer knows of one case personally where three trusted leaders of a union were in the pay of an employer who bribed them to disclose the business methods of the union.

Of this condition of affairs District Attorney Jerome of New York has said: "This corruption in the labor unions is simply a reflection of what we find in public life. Every one who has studied our public life is appalled by the corruption that confronts him on every side. It goes through every department of the national, state and local government. And this corruption in public life is a mere reflection of the sordidness of private life. Look what we find on every side of us—men whacking up with their butchers and grocers, employers carrying influential labor leaders on their payrolls, manufacturers bribing the superintendents of establishments to buy their goods."

To mention a specific instance of labor bossism and corruption at the fountain of trade unionism let us quote the words of Ray Stannard Baker concerning the rule of Sam Parks, the late walking delegate or business agent of a New York building union.

"This man," says Mr. Baker, "elected to carry out the instructions of his union, actually reversed the process and bossed the union. His four thousand iron-workers obeyed like children. He called strikes when and where he pleased, often deigning to give the men no reason why they were called out; he spent the money of the union lavishly and made no accounting. Once, when an overbold member ventured to inquire in open meeting what had become of a certain sum of money, Parks replied by hurling a table at him. Several others who

opposed him were 'beaten up' in near-by saloons. Others mysteriously lost their jobs. When a man disagreed with him, he 'gave him a belt on the jaw,' as he has said, 'and that cleared his mind.' Of \$60,000 received in fees and dues by the union in 1901, over \$40,000 disappeared without detailed accounting, mostly under Parks's direction. Of \$75,000 received in 1902, some \$60,000 was spent practically without accounting. What these great sums went for (strikes, Parks said, vaguely), no one but Parks really knew, and he wouldn't tell. Every member of the union knew the exact character of Parks, that he was a 'grafter'—and yet he could not be displaced. Even after being arrested for blackmail, he was re-elected by his union; when he went to State's Prison his salary as walking delegate was continued, and when he was released under court orders he marched at the head of the Labor Day parade, cheered by his followers.

"But the money he received from the union treasury probably did not equal the amount he got from the employers. Behold the extraordinary spectacle of builders and manufacturers of large interests summoned by this former coal-heaver to come to his house or to the saloon of his appointment and pay him two hundred or nine hundred or two thousand dollars *for his personal use* to secure permission to go on with their business! This happened not once, but many times, as the evidence presented to District Attorney Jerome has abundantly shown. And if a builder was recalcitrant his jobs were 'struck' and the men kept out until he 'settled.'

"I am not entering here into the question of the justice of these strikes; some of them may have been warranted; I suspect they were; but the point is that Sam Parks and other men of his type called them without consulting anything but their own personal pleasure, with no instructions from their unions, often without giving any reasons to the men who were thus compelled to lie idle and, worse still, strikes were often accompanied by the demand for money or to enforce the payment of money. Did the money go to the men who struck and lost their wages? Not a bit of it; they won the battle, Parks pocketed the spoils, though sometimes he spent it liberally 'setting up' for his friends at near-by bars. I heard a housesmith say: 'Sam Parks is good-hearted all right; if he takes graft he spends it with the boys.'"



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SCENE IN A POOR QUARTER, NEW YORK CITY, ON A MARKET DAY.

Such scenes are common in a metropolis even on the most ordinary shopping days. The immigrants who come to America generally choose to settle in communities in cities. This view is remarkable for its fidelity in depicting an ordinary day in such a quarter. Note how the streets are filled with vehicles of all descriptions. In this small district there live as many people as would be the population of a small-sized city. The necessities of life are brought to their very doors for sale or barter.

CHAPTER XXXIV

CAPITAL'S ANSWER TO LABOR—NO "SQUARE DEAL" FOR THE PUBLIC.

How Employers' Organizations Have Multiplied—Radicals and Conservatives Here as Well as Among Labor Unions—The Lockout, the Blacklist and the Injunction Answer the Strike and the Boycott.

AT LAST organized capital has challenged organized labor. We have seen in earlier pages some of the abuses of corporate power. Also we have seen some of the excesses laid at the doors of organized labor, such as rioting, murder, graft of labor leaders, etc. When "Bleeding Colorado" fought out its fight for peace at any cost, the employing class formed what was called a Citizens' Alliance. When Chicago business men were ready to fight union dominations, the Chicago Employers' Association was formed. Almost spontaneously these and many other organizations of employers got together in Chicago in 1903 and formed the Citizens' Industrial Association of America. Several influences worked to bring about this association, but principal among them were the sudden recognition and fear of the expanding power of unionism even when used by sane leaders, and the fear of the power of unionism when led by ignorant or vicious bosses.

The writer was present at the convention of the professional organizers of these business men's associations which banded into the Citizens' Association and the impression gained after hearing impassioned speeches by such men as David M. Parry of Indianapolis, James C. Craig of Denver, Frederick W. Job of Chicago, and others, is that, while these men profess no desire to down "honest and sensible unions," practically the effect, if not the desire, is to combat all unionism of labor by unionism of capital. In other words, it is a struggle for supremacy. Some of the first fruits of active efforts to wipe out trade unionism as such were grown in the methods employed by the Chicago Employers' Association in the teamsters' strike of 1905 in Chicago, where the practical motto of the employers was, "We believe in unionism, but damn the union." "Good unions" are welcomed, but invariably this means "no union."

In considering such a question it is not within the province of the writer to justify the bad actions of either party to such controversies as are seen

daily in the history of American industry. The stand taken here is for the "square deal" for every man. It has been shown previously what grave charges have been laid at the door of the union, but let us look at some of the methods of the now actively organized employers in not arbitrating the questions at issue, but in fighting. In the first place these employers' associations use the boycott—the weapon which they cry down as un-American—as shown in the attempt to discipline papers in Colorado which dared side with the opposition. Here is a resolution passed by the Citizens' Alliance of Denver, October 13, 1903:

"Resolved, that we, as a body, urge upon the Denver Advertisers' Association the importance of co-operating with us in this effort, and request such association to so place its advertising matter as to assist in upbuilding instead of tearing down business interests, to the end that a just and conservative policy may be adopted and advocated by the daily press."

Incidentally it may be said the right of freedom of the press was infringed upon in the Colorado strikes by capitalists destroying union newspaper plants.

In the next place these employers make just as vigorous use of the sympathetic lockout as do the unions of the sympathetic strike. Frequently where labor difficulties arise the organized employers take every measure to affront the union still further, bent upon the annihilation of the union rather than the granting of the slightest concession. Presumably this is based upon the fear that if any concession is granted more will be demanded by the union the next time. And yet the employing class with its greater intelligence and advantages is better equipped to be charitably inclined than the plodding, working class.

Organized employers indirectly have access to slugging methods which are just as reprehensible as those of the bad labor unions. For instance, in the Chicago teamsters' strike in Chicago in 1905, the employers in their demand not for the "square deal" for the general public but for the active operation of their business during strike when the union leaders were asking arbitration (whether right or wrong is not the question) brought into Chicago hundreds of vicious Southern negroes of the criminal class, armed them with rifles and revolvers and instructed them to shoot at the first suggestion of interference of their work as teamsters. The direct and infallible result was murder. It is true the employers in this struggle set forth at length that they insisted upon the "right to run private business" as they should dictate. But here is the indictment made by one of the greatest employing interests in Chicago who endeavored to keep out of the fight:

"Chicago will see disturbances just so long as both sides to these disputes

are stiff-necked and stubborn. The employers as organized are not a whit less responsible than the unions, excessive as are the demands of some of the labor leaders. It is my firm conviction that the employers are organized to fight, not perhaps just for the sake of fighting, but at least to be supreme over the trade unions."

And if we wish to uncover dastardly deception let us turn to the following copy of a circular distributed in the South to induce ignorant men to come to Chicago to risk their lives in "breaking" a strike:

"To all colored workmen: Be free! Your freedom is hampered in southern cities. Chicago is a haven of freedom and prosperity. Big wages and short hours prevail. Labor is scarce and the negro is welcome. Colored teamsters are employed exclusively by the large employers of labor, and an unlimited number of jobs are waiting for strong colored men in that city. Our race is shooting down white strikers under police protection, and at last freedom for our race is assured, and the colored laborer will assume a responsible place in society in that northern city, upon equal terms with the whites.

"The employers have decided to uphold our people by the use of the shotgun if necessary. Be free men! Come to Chicago, one and all. Come quick. Homes and the necessities of life await you upon your arrival. Agencies are established in all parts of the city to protect and care for you. Start at once."

This action was denounced by the Colored Men's Business League of Illinois.

Another weapon of the employing class is the injunction from the courts which prohibits interference of pickets or others in the affairs of the employers or with non-union men at work. While unquestionably this has been necessary in many instances, still the effect upon the union man is as a red rag before a bull.

The principal strife just now between the employers' associations as a whole and the trade unions is on the matter of the "open shop." This term is used to indicate an establishment where either union or non-union men may be employed without discrimination. The opposing term, the "closed shop," indicates an establishment where none but union help is employed. As has been suggested previously, one of the fundamentals of unionism is to establish as nearly a perfect monopoly in labor as possible, in order the better to meet capitalistic monopoly. For this reason principally the union seeks to combat the principle of the "open shop." The unionist maintains that the workman

is the better judge of the conditions in which he should work and for that reason also desires to restrict the number of apprentices each journeyman worker shall have as assistants. These and kindred principles the employer resists on the plea that his business is his own.

While it appears that those employers' associations mentioned thus far work



EXCAVATING A CHICAGO TUNNEL, FORTY FEET BELOW THE STREETS.

The difficulty of the engineering feat of building these tunnels can be imagined when it is known that the business portion of the city rests upon what was once and still is to a considerable depth muck or soft clay. Chicago is the first city in the world to make the departure of establishing a system of subways under the streets for the handling of its freight traffic. Other cities have built subways for passenger traffic in order to relieve the congestion of the streets. But by the Chicago system the passenger traffic will still be in the streets, but will not be hampered by the thousands of teams and heavy trucks which now impede car traffic.

to an end which seemingly always antagonizes labor, there are associations which make it a business to meet organized labor half way, which take the stand that neither side can always be in the right and that contracts and agreements are saving of much worry and considerable bloodshed. What the end of the conflict between those who do not work on the "square deal" plan will be cannot be conjectured. This summary of the situation, however, as made by Ray Stannard Baker recently, is impartial and worthy of consideration:

"1. Both sides have an equal right to organize.

"2. Employers' associations cannot refuse to the unions the same rights and the same methods of fighting which they themselves exercise, and vice versa. If one side boycotts and 'slugs' and uses injunctions, the other side will use the same weapons. If one side DEALS FAIR it will get fair dealing from the other side sooner or later.

"3. Absolutely stable and continuing conditions are not possible in industry any more than in any other department of life: both sides must be prepared for constant readjustment and for the attendant concessions.

"4. The condition at present most favorable to industry would seem to be one of strong, well-disciplined, reasonable organization on both sides. A great disparity of strength always means the abuse of power by the more vigorous organization.

"5. Organization always presumes a fighting force, as each nation has its standing army, but the prime object should be peace.

"6. The same qualities of fair-dealing, honesty and personal contact required in business generally are equally necessary in buying and selling labor—a transaction which is, after all, neither sentiment, nor warfare, nor speechifying, but business."

CHAPTER XXXV

SOCIALISM.

A Theory of the Industrial Millennium and the Tendencies in that Direction as Hastened by the Abuse of Monopoly in both Capital and Labor Classes—The Municipal Ownership Movement an Evidence of the Growth of Socialist Principles.

DURING the investigation into the railway rate evils which aroused President Roosevelt to insist upon government regulation of the greatest of industries the President was quoted as having said to several railway presidents that unless concessions were made to the people at large, unless something nearer to a "square deal" could be granted than the public had experienced before, the country was destined to see social democracy. About the same time Vice-President Frank A. Vanderlip of the National City Bank stated that the growth of socialism in Europe threatened to gain great force in America; that there were visible prospects of a definite alignment of political forces with this issue as the dividing line. Shortly before this nearly 500,000 votes were cast for E. V. Debs, the candidate for President on the Socialist ticket and the man who had led the American Railway Union in the great Chicago strike of 1894. So definite has the tendency been toward increased agitation for Socialism in recent times that the capitalists have raised a great cry against what they believe to be its dangers, principal of which is said to be the encroachment on the individual rights of man. The press has teemed with expostulations against the possible overthrow of the prevailing systems of industry.

Just as emphatic statements have come from the direct representatives of the capitalists who definitely leagued themselves together to crush out trade unionism. Here is what D. M. Parry, ex-president of the National Association of Manufacturers and president of the Citizens' Industrial Association of America, says on the subject:

"The agitation for supplanting private control over capital appears to disclose two distinct methods for the accomplishment of its objects. One is that of confiscation—the passage of legislative enactment and the adoption of other means to reduce profits and to limit private management of capital. The other

is that of acquiring government control through purchase from the present individual owners. That form of socialistic endeavor which seeks government control of capital by purchase is at present limited to the acquirement of public utilities. Attempts in the line of municipal ownership have for the most part resulted unfavorably to the claims made by its advocates. Government cannot manage capitalistic enterprises as economically or as efficiently as private owners. A large increase in the number of its employes is certain to threaten the domination of our democratic government by an officeholding class, and the corruption of politics under private ownership of corporations would be as nothing compared with the corruption that would most likely exist under government ownership.

"While the enlargement of the scope and power of government by the purchase and management of certain enterprises has found considerable support among the people, yet I believe the sentiment favorable to socialistic measures involving the confiscation of profits and the limitation of private management of capital is the more widespread and dangerous. Without making special reference to the aim of the avowed socialist, we have organized labor and its sympathizers supporting the idea that organizations of men may dictate to a large extent the management of enterprises which they do not own, determining the rate of wages and fixing the hours of employment. Another illustration of this kind of socialistic sentiment is manifested in the present agitation to have the government fix railroad rates."

On the other hand the Boston Herald, confronting the fact that Socialism is based on the desire to abolish all parties save one, that of all society in harmonious action, has this to say:

"Denunciation of Socialism, which is inspired by the misunderstanding and selfishness of those who have wealth, will not put it down. On the contrary, it will breed Socialists and make them bitter and desperate. They may be in error as to facts and the right cure for the evils they feel; but they cannot be made to change their minds by any course that damns their ignorance and their motive. As for their motive, it is quite as generous, as patriotic, and moral as that which actuates those who cherish a conceit of superiority. Bishop Potter, Carroll D. Wright, Washington Gladden and many others who have had much to do with the settlement of controversies between employers and employed, have testified emphatically that in their experience the workingmen were not the least intelligent, reasonable and fair-minded to the controversy under consideration.

"Socialism as a theory of government may be subject to many serious objec-

tions; but plutocracy and monopoly are more objectionable on many accounts, and vastly more hostile to every genuine ideal of a democratic commonwealth. Hence they are more to be distrusted by the Christian and the sagacious patriot. Those whose fundamental aim is to promote essential equality of conditions and opportunities, of work, privileges and responsibilities are not necessarily the most dangerous class of citizens, nor is there any *prima facie* reason for regarding them as the most incapable, immoral and fanatic. At any rate, they are not already conspicuous for dishonesty in business and dishonor in politics. The corrupting bribers and grafters do not come from their ranks. They are not to blame for a situation which makes Socialism seem tolerable to many serious minds as a correction of wrongs which grind the poor and make the future seem hopeless of betterment."

But simultaneous with these cries of warning one of the greatest waves of feeling of socialistic tendency swept over the city of Chicago and resulted in the election of Mayor E. F. Dunne on the avowed platform of immediate municipal ownership of the street car lines of the city, which had been notoriously badly run, which had been the means of muleting the investing public of the city of millions of dollars and which at last had been turned into the bankruptcy court. Here was a demand for some improvement upon capitalistic methods, with the belief that any change would be better than the intolerable service given the public at that time. Nor was this tendency for municipal ownership and governmental control of public utilities confined to Chicago. It was seen in the cry for railway rate regulation, in the Kansas legislation for state oil refineries to supplant those of the Standard Oil whom Kansas had kicked out of her borders, in the investigation into the evil practices of the Beef Trust and private car lines and in a hundred other phases. A New York paper in commenting on the assemblage that attended popular lectures at Cooper Union in New York City says:

"After a lecture a few days ago in which the Socialist cheering had been unusually vociferous till it seemed to characterize the whole gathering, a little test in the form of a standing vote was taken. It appeared that out of some 1,200 people there were only fifteen or twenty Socialists. Three persons expressed themselves as entirely satisfied with existing industrial conditions. When, however, it was asked how many believed that 'the time has come for the community to assert a larger control over public service enterprises, such as trusts, railroads, gas, etc.,' apparently the entire audience rose. Here was clearly an audience which, however much one may choose to call it Socialistic, had nothing wild, theoretical or essentially impractical about it. It was com-

posed of men and women who had come into close contact with facts, and who were drawing their theories out of their facts, not trying to make their facts fit theories. It was a typical audience; typical of the good old practical methods by which Englishmen and Americans have solved their historic problems and built up their progress; typical of the public opinion of this country today as it reflects on evils and seeks remedies. It is not improbable that almost any general audience of 1,000 men and women in any part of this country would show much the same proportions of sentiment."

At once there arises the question as to why and how sentiment is rising to change the whole existing scheme of industrialism under private ownership and to make it co-operative in the hands of all society. Both method and cause are explained in part by a demonstration which developed coincidentally with the teamsters' strike of 1905 in Chicago, an incident which is now become common to many such disturbances. This was the active soliciting of laborers to forsake trade unions—which the Socialists consider but a makeshift and incentive to constant war between classes of labor and capital—and to join in the Socialist movement to change the whole system once for all. This effort to socialize the union man is seen in such a statement as the following by William Mailly, who conducted the Debs campaign of 1904:

"The supremacy of the working class is inevitable. It is just such conflicts as this teamsters' strike that proves to wage workers that they must control the powers of government if they would get justice. Should the power of wealth and government, in the hands of the capitalist class, defeat the magnificent drivers' organization the day when the working class will absolutely control the entire affairs of this city and of the nation will be brought nearer. When unions are defeated in strike efforts they are in a position to see clearly that they must vote themselves into power and conduct industry entirely for the benefit of all the working class."

Again, the following by Charles H. Kerr, an active Chicago Socialist leader, is typical of the attitude of the organized Socialists to accomplish proselytes of the trade unionists during the teamsters' strike:

"Naturally, being the party of the working class, we are on the side of the unions. This does not mean that we indorse every detail of the unions' methods of fighting, but we recognize that the class war is on, and the laborers must fight as they can, with the means at their disposal.

"Is it true that the Socialists are taking advantage of the situation to secure converts?

"It certainly is. When we see a union man indulging in profanity be-

cause the policemen are riding on the 'scab' wagons, we ask him, 'Isn't that what you voted for?'

"How do the unionists receive the Socialist organizers?"

"There is a marked change in their attitude. Not so very long ago a Socialist would invariably be hooted down or refused the floor at a union meeting; now the union men almost invariably seem anxious to hear what our speakers have to say.

"What effect will the strike have on the growth of the Socialist party?"

"It will undoubtedly bring us an immense increase in our vote. We have constantly pointed out that the old parties represented capitalist interests, and that the only rational course for the laborers was to vote for the Socialist party, the party of their own class. In ordinary times this is not so easy to see, but the action of the employers in banding together against the unions, and using the police and the courts as weapons, has made it evident to the great body of union men that we are right. If the employers succeed in crushing the teamsters' union, the result all over the city will be like the result in the stockyards districts last fall. The packers won a glorious victory over the unions, and the unions responded by sending two Socialists to the legislature. Union crushing on a larger scale will result in drawing class lines more clearly than ever before, and when class lines are drawn it will be evident that the people who live by working have more votes than the people who live by owning. Then the laborers will elect their own city officers, and proceed to run the city to suit themselves, without regard to the 'business interests' of the capitalists."

Thus far it has not seemed advisable here to define that industrial movement which we are discussing. There have been many sorts of doctrines held by those who have claimed the title of Socialists. It is not intended here to set forth the numerous different creeds that have existed in the name of Socialism or which still exist. Suffice it that there are those who see or think they see a tendency toward an industrial millennium where men shall not be at war with each other, where the "square deal" shall be a rule of every-day conduct. These men believe that the most effective methods of producing wealth have been found to exist under CO-OPERATION. The great desire now is to effect a more just DISTRIBUTION of wealth produced through similar CO-OPERATION. They point to the fact that the trusts have grown so large that apparently the next step is to make the whole country one trust in which every citizen shall be practically a stockholder. How this is to be accomplished none of them knows. Indeed the disciples of Socialism say it does not

matter just what the ways and means shall be. They point to the very serious problem of slavery which confronted this nation with apparently no solution. The freedom of the slaves no doubt worked great hardship to the southern planters, but, say the Socialists, this was inevitable and the means finally developed almost spontaneously. So, they say, will come the change, NOT by which every person shall have an equal share of the goods of the world, but by which the means of production shall be OWNED BY ALL SOCIETY, and thus shall be used to promote GENERAL WELFARE instead of frequent MISERY and WANT.

That this tendency toward Socialism is growing is suggested pointedly in this warning to capital by the leading financial paper of the country and organ of the moneyed interests, the Wall Street Journal:

"We have believed for a long time that Socialism was bound to become more and more an issue in this country, an issue which the conservative forces in politics and in business would be obliged to meet, and which they might find it difficult to overthrow. The best way of combatting Socialism is to remove those conditions which are favorable to its growth. Competition and Socialism represent the two extremes of economic theory and practice. The hope of the Socialists is in a complete breakdown of the competitive system, and hence it is that they welcome the growth of monopoly. They believe that the capitalists, who are building up the great corporations, and concentrating the control of the productive and transportation interests of the country into a few hands, thus steadily reducing the area of active competition are doing the preparatory work for Socialism. Let the forces of capital, they say, build up the monopolies, thus overthrowing competition, and then the people will step in, overthrow the monopolies and establish the regime of Socialism.

"There seems to be no escape from the logic of this statement. Monopoly is only the advance agent of Socialism. What, then, should be done to meet this condition? It seems to us as if some of our great industrial and financial leaders are either strangely blind to the signs of the times, or else exaggerate their own strength, trusting in their ability to defeat Socialism in any square test that may develop in the future. They are, at any rate, as a class, steadily resisting any movement intended to enlarge the area of competition, to limit the power of the corporation, to extend the scope of publicity, and to bring interstate commerce more and more under reasonable government regulation. These measures are the only ones which appear at this time likely to check the spread of Socialism in this country by preventing the further progress of monopoly.

"There are only three possible alternatives:

"First—A further concentration of the control of production and commerce in this country, so as to produce a condition in which competition shall be reduced to a minimum.

"Second—Socialism, the seizure of the machinery of production and transportation in the name of the state, the establishment of the collective commonwealth.

"Third—A system in which capital shall have the liberty to combine in corporations, but shall be subject to a law of publicity, compelled to account for its acts to the people, and held under reasonable government regulation, so that a proper balance shall be preserved between concentration and competition."

CHAPTER XXXVI

GRAFT IN AMERICAN CITIES.

The Plundering of the Private Citizen—Public Conscience Aroused—Philadelphia Corrupt but no Longer Contented—Signs of Hope for the Future.

THERE is a word which was originally innocent, but which of late years has come to have a meaning so offensive and so tainted that the very sound of it has become a stench in the nostrils of honest men. It is the word "graft," which by an extension of applications has come to mean almost every phase of public and private dishonesty outside of the lines of statutory crime, and, indeed, often crime as well.

In the earlier days the use of the word was limited to the thrifty and wholesome science by which horticulturists modified and improved the fruit trees under their care. This involved the draining of the sap from a parent stalk into a limb from another tree which would thereby be supported by the borrowed nourishment.

The parallel is a plain one. Graft today means the draining of the sustenance from one source into a parasitic personage who seeks to obtain profit, not out of his industry, but out of the thrift of someone else. Sometimes it might be characterized as blackmail, sometimes as bribery, and sometimes as thinly veiled theft, but always it is predatory upon private and public resources.

It is quite possible that the thing itself has always existed in some form or other, but apparently, of late years, there has been an extension of the practice into channels heretofore free from the offense. In greater or less degree it is to be found in every country, but here in America, where we have free institutions that we prize, and a pride in our national thrift, vigor and honesty that amounts almost to braggadocio, the offensive growth has waxed more sturdily than in any other country which is blessed by Western civilization.

The redeeming fact is that with the growth of the evil there seems to have come a corresponding growth of appreciation and realization. Today the forces of decency and honesty are bestirring themselves as never before, to exterminate the vicious practices that are lumped together under the general tainted title of "graft." The press is thundering at the malefactors. Public speakers in all walks of life are devoting attention to the same subject.

The people indeed are becoming aroused to the just indignation that should be visited upon the evil-doers alike in high and low places.

The ramifications of the spirit of graft are manifold. They crop out as definitely in private enterprises as they do in public affairs. But inasmuch as the public is concerned chiefly with public interests, let us first survey the facts that have been developed in certain investigations where the grafters were preying upon the public welfare. No writer can discuss this general subject fairly without expressing a debt to the noteworthy work done by Lincoln Steffens in McClure's Magazine, through which publication he gave utterance to discoveries perhaps the most significant that have yet been made in this line. With the temperament of a judicial observer, Mr. Steffens sought the truth wherever he could find it, and wrote without fear or favor the facts as he saw them. But neither Mr. Steffens nor any other writer could discover or tell all of the truth, for the facts are continually developing, and graft is as truly progressive as is any other industry. Let us take an example which will at the same time illustrate this point and also show the shamelessness of the grafters and the hope of honest men.

One of the most conspicuous of Mr. Steffens' disclosures related to Philadelphia, which he characterized as "corrupt and contented." Even while this volume is approaching a conclusion, new developments in Philadelphia show conditions which have arisen of late, quite as bad as anything disclosed in the investigations of 1903, if, indeed, not worse, and at the same time a revolt has been stimulated which promises to lift Philadelphia out of the mire and raise it to the proud estate which it ought to occupy.

For many years all of the larger American municipalities have pointed at Philadelphia as the worst governed and most thoroughly corrupt city in the land. This fact has been almost universally admitted, and it has been doubly significant because this is the most American of all the large cities, having nearly one-half of its population of genuine American stock, native born, of native born parents. Furthermore, Philadelphia is a prosperous city, a city of homes without crowded slums of the worst sort, an aristocratic city, and a historical city with American traditions and a place in the American fight for freedom from British rule. And yet in spite of all this the political and civic corruption of this great American city has stood at the very top of the disgraceful list and the honest people of Philadelphia have rested in complacency, doing little to emancipate themselves from their slavery to corruption.

By unquestionable evidence we have it clearly proven that the control of the polls in Philadelphia for years has been absolutely fraudulent, with little pro-

test against the offense. The profit of graft and fraud in such a city comes from thievery in public contracts. The various systems and contracts by which the civic conveniences are furnished, such as water, light, paving, transportation, order and safety, have been farmed out to the leaders of the political rings by methods in which apparently every department of the municipal government, including the judiciary, participated in the frauds. It is impossible to charge any particular political party, or church, or nationality, with sole guilt in this matter, for apparently people from every circle have participated in the plundering processes. Furthermore, the local leaders have been in partnership or subordinate to the state leaders, so that the graft ramified into state and even national politics. It is almost futile to name individuals as chiefly responsible, when as a matter of fact even those who control the operations are but part of a system for which every citizen shares the responsibility. It does not seem unfair to say, however, that such national figures as the late Senator Matthew Quay, and Samuel H. Ashbridge, who served as mayor for four years, have been involved in the severest charges, the former even being indicted.

The Municipal League, which is an organization in Philadelphia striving for civic decency, published the following summary of the career of Mayor Ashbridge, when his term ended in the spring of 1903:

"The four years of the Ashbridge administration have passed into history leaving behind them a scar on the fame and reputation of our city which will be a long time healing. Never before and let us hope never again, will there be such brazen defiance of public opinion, such flagrant disregard of public interests, such abuse of powers and responsibilities for private ends. These are not generalizations, but each statement can be abundantly proved by numerous instances."

The charges included in this report involve such things as attempted intimidation of citizens, the introduction of gambling into the public schools, the charging of school teachers for appointments to positions, and manifold partnerships with vice of the grossest forms.

Perhaps the most conspicuous detail in the Philadelphia fight was the affair of the street-car franchises, which were passed hastily, almost clandestinely, by a collusion of the state legislature and the city council, Governor Stone and Mayor Ashbridge, and various political leaders of the ring. Without remuneration to the city these franchises gave away rights to the streets of a tremendous value. In the effort to block the scheme, John Wanamaker made a formal offer of \$2,500,000 for the franchises which were being given away.

The mayor threw his letter into the street unread, and the offer was refused. Next the state legislature passed a ridiculous law manifestly intended to muzzle the press, and all honest critics of the corruption that existed.

Then came the election of a new mayor named John Weaver, chosen by the ring, but apparently promising to stand by the people when frauds should be attempted. It is interesting to note that for two years his administration did little to justify the hope that had been placed in him. But in the spring of 1905 came his opportunity to prove his good faith. A measure was before the city council by which certain gas franchises were to be given away, as lightly as were the street railway franchises two years before. At last the city seemed to be roused to some realization of what was going on. Mass meetings were held everywhere to attack the nefarious scheme. Citizens attended the council meetings, and dangled ropes with nooses at one end, over the gallery railing.

Says one dramatic account of the uprising: "Philadelphia has at last responded to the rising national tide of civic conscience and civic consciousness. The great, dumb, comfortable mass of small-income families was moved. A machine morning paper, which after some days of silence incautiously espoused the cause of the machine on a critical morning, had nearly five hundred postal cards stopping the paper the next morning, and it never spoke again. In schoolhouses after school hours the children of councilmen who had voted for the lease went crying home, because no child would play with the sons and daughters of a gas thief. Councilmen in grocery and provision stores found their patrons suddenly gone. Men were expelled from clubs and benefit orders, and warned to resign from ward celebrations of Memorial Day. One blatant supporter of the lease in the council found his ward placarded with his picture, his house, his political headquarters and his business place. The streets he passed over daily were noted, the hour given, and every citizen asked to stop him and say, 'Why did you vote for the gas lease?' This and nothing more, men did, by the dozen and the score. For one day he was brutally defiant, for another irritably bellicose. But no man can stand being asked why he is a thief by everybody he has known from childhood, and by the third or fourth day he had capitulated, sought the mayor, and agreed to support his veto. This uprising from below of the great throng, would, after all, have failed without a leader. For two years Mayor John Weaver had been a man numbed by hopeless conditions and under the personal influence of a shrewd, masterful boss. But he was a man of principle, and he was treated with studied insolence by men who despised his principles. When the hour struck he

acted, and, as with all men who act, the city rose to him as one man. Suddenly in a week Philadelphia knew itself. The dumb driven city became a sentient thing. The council which had passed the lease collapsed. The machine was smashed."

Of course not all of this successful fight against corruption in Philadelphia was carried to a conclusion without temporary defeats and hard struggles. Nevertheless, the fact that the glaring \$25,000,000 gas steal aroused the citizens of Philadelphia to be no longer contented in a state of corruption, of which they were victims and for which they were largely responsible, is an evidence of what can be done in other cities where graft has been hardly less shameless.

The very titles of the chapters in Mr. Steffens' quest are significant of the form the fight has taken—"Tweed Days in St. Louis," "The Shame of Minneapolis," "The Shamelessness of St. Louis," "Pittsburg a City Ashamed," "Philadelphia Corrupt and Contented," "Chicago Half Free and Fighting On,"—these are characteristic titles under which some of the disclosures have been published to the world.

In each of these cities there have been characteristic facts peculiar to the place itself. For instance, St. Louis was struggling against the corrupt awarding of municipal franchises. In Minneapolis the trouble was a foul partnership between the corrupt city administration and the worst haunts of vice, in which the profits of the vice were divided with the officials. Pittsburg was cursed with more or less of both of these troubles, when the citizens roused themselves to attempt a betterment of things. In Chicago, as in St. Louis, it was a dishonest council with which honesty had to contend, but those conditions have been corrected in large degree by an awakened civic sense, led by an organization called the Municipal Voters' League.

We have used Philadelphia as an example of corruption and an example of the effort to reform, simply because it stands today so conspicuous in the list. Nevertheless, strange as it may seem, little has been accomplished in one city by holding up the example of another. Each community has had to work out its own salvation, and some of them are still backward in accomplishing this or even in attempting it. Furthermore, it is not the great cities of our country that have a monopoly of vice in the form of graft. All the way up from the country village to the metropolis, the same chain can be traced, differing chiefly in the magnitude of the plunder available in the larger cities, but differing not at all in kind.

Nor is the offense of graft confined to the cities of large foreign popula-

tion, or those in the older and more thickly settled parts of the country. In the waterworks steal at Grand Rapids, Mich., facts just as disreputable were developed as in the worst phases of the Philadelphia affair. Even now Boston is just passing through a conflict over its gas franchises which promises to be as vital to the citizens of that historic center of liberty, the site of Faneuil Hall, as that other fight in Philadelphia, under the shadow of the room where the Declaration of Independence was signed.

In Boston the good citizens have rallied together to support the move for civic decency, but strangely enough they have not had the support of the public press to the degree that they should have had, thanks to the fact that the element opposed to them had command of large sums of money, part of which went to the newspapers in the guise of payment for advertising.

It is not alone in cities, but in states as well, and even in the nation, that the serpent of graft raises its head. In the State of Illinois for years the good citizens have had to fight against the dominance of corrupt political rings between which there was hardly any choice, although they wore the political labels of the two great parties. There is no partizanship in political graft, except as the party label assists in the game. The grafters are never troubled by the ethical principles involved in political controversy. To them the gas franchises, the street railways, and all sorts of public contracts, are legitimate avenues for profit by plundering the public. In Illinois the park boards, the sanitary boards, the drainage canal system, the insane asylum and the penitentiaries even, have been preyed upon by republican bosses and democratic bosses alike, through a system which involves in its organization the federal influence in the state, the state administration itself, and as junior partners the county of Cook and the city of Chicago, with business men, bankers, and public men who pretend to be worthy citizens, controlling the details and sharing the profits, either financial or political.

We find the same thing true in Wisconsin, where for the last few years there has been a most picturesque fight between the people on one side, with Governor Robert M. LaFollette as their leader, and the railways on the other side, with the federal power in the state in close alliance.

In Missouri another governor has arisen to fight the battle of the people, in the person of Joseph W. Folk, who has done more to terrorize the rich and powerful hoodlers of that commonwealth than all the other powers that have ever been brought to bear upon them. As district attorney in St. Louis, Mr. Folk was able to indict, convict and send to the penitentiary or drive out of the country as fugitives from justice, a score of the richest and most influen-

tial men of the city, some of them reckoned as merchants and financiers of the highest standing in the community. In doing this he broke up a gang that had been plundering the city and the state for years, and now as a reward for his sincerity he is serving as governor and continuing the good work in broader channels.

Thus it is that we feel justified in saying that there has been a real awakening of the civic conscience in late years, and that there is a prospect for a constant betterment of conditions. Wherever we look we see a brighter outlook in the situation. Those spoils politicians of Philadelphia who cherished the belief that the reform wave would expend its strength in a short space of time, must be considerably exercised over the increasing strength of the movement. There is a pertinent utterance on the subject in the letter written by Grover Cleveland accepting his appointment as one of the trustees of the Equitable Life Assurance Company. In the letter which tendered him the trusteeship, Thomas F. Ryan, who is now the dominant figure in the Equitable, said: "The duties of the trust will be light, as in the nature of things when a satisfactory board is once constituted, there are few changes and all the clerical and formal work will be done by the official force of the company."

Mr. Cleveland does not seem to be particularly impressed with the desirability of having his duties as trustee lightened for him. He accepts on "the express condition that the trustees are to be absolutely free and undisturbed in the exercise of their judgment." In electing directors to represent the policy holders they must be permitted to follow faithfully the policyholders' real wishes. By way of making his attitude still clearer Mr. Cleveland makes some pointed remarks about "the madness of inordinate business scheming" by men handling trust funds. He closes by saying: "We can better afford to slacken our pace than to abandon our old simple American standards of honesty, and we shall be safer if we regain our old habit of looking at the appropriation to personal uses, of property and interests held in trust, in the same light as other forms of stealing."

Stealing is a crude, coarse word, which will shock some modern financiers, but his use of the term shows that Mr. Cleveland has a lively sense of the needs of the situation. That trusteeship, he wants it understood, will be no sinecure while he holds it. There will be no dummy directors and no speculative deals if he knows it, and he thinks he will know it. In short, as a trustee he promises to be as active as the controlling spirits of the Equitable could wish, and maybe a little more so.

It is this sort of a spirit that voices the hope of the nation to eliminate the

poison of graft that has been permeating the entire national life. Every man is a trustee for himself and his neighbors to some degree, and only by the realization of each honest man's obligation to be on guard and alert to protect the right even when he is not himself immediately and personally concerned, can we reach the highest point of national vigor, honesty and success.

CHAPTER XXXVII

THE GRAFTER IN BUSINESS.

Private and Public Graft Work in Close Partnership—Business Men as Boodlers—Juggling With Life and Safety—The Labor Boss and the Capital Boss—Strikes and Strike Settlements for Sale—Higher Standards Needed.

It is hardly worth while to speculate as to whether the widespread extension of systematic graft in the political world and in city, state and national affairs, has stimulated the growth of the same method of theft, petty and otherwise, in private affairs, or has been an outgrowth of what might be termed private graft. However that may be, it is certain that of late years the two systems have grown up side by side, with little to choose between them as to the energy with which they ply their nefarious trade.

Graft in business begins with the petty practices of the dishonest purchasing agent who draws commissions from dealers upon all the things he buys for his employer, thereby profiting the more, the higher prices he pays, and the greater the consumption of materials. This is in no way different in morals, though it may be different in law, from the disreputable practices that were unearthed in the United States Postoffice Department only a year or two ago, when it was found that the most trusted of the officials were the worst of the plunderers, and some of them were sent to the penitentiary for their misdeeds.

Even before that, we had seen the astonishing spectacle of a trusted official sent to Cuba to organize the postoffice of the young republic, where the obligation was upon him to be exemplary to the highest degree, violating his trust and abusing the confidence of Americans and Cubans alike. With these examples before us we do not need to be surprised when we find the same thing going on in a smaller way, because the opportunities are smaller, in many other quarters.

It is difficult to differentiate sometimes between private and public graft, and often one party to the offense is in public service while the other is in private business. Examples of this sort are seen in the manipulation of taxation when professional "tax-fixers" by virtue of some strength, necessarily illegiti-

mate, obtain a reduction of assessments for their patrons, of course at a price. Building and fire-escape inspectors wink at violations of the law for a bribe, waiving safety appliances that may cost a multitude of lives by their absence. But the manufacturer who puts iron filings into life-preservers because iron is cheaper than cork, as was sadly proven in the burning of the "General Slocum," is no better and no worse than the inspector who passes them and shares the profits.

The mental attitude of some of our "best citizens" on these and kindred points is sometimes a surprising one. They are often quite unable to see that the man who gives a bribe is as bad as the man who takes it, even if the giver is literally held up to pay for a legitimate object. The writer has in mind the position taken by one business man who is prominent in mercantile and manufacturing circles in Chicago. He needed a switch and side-track to a certain factory, in a place where such conveniences were proper, and recognized as necessities. An ordinance was required and he was quite prepared to pay the city's price for the permission, whatever that might be. But the ordinance was "hung up" in committee, week after week, with no sign that it would ever be reported. Finally the fact was hinted to him that he needed to see the chairman of the committee, which he did, receiving the information that compensation to the city was unnecessary, but he must pay the price for putting the matter through the council. He did this, and in conversation justified himself for doing so by the fact that his request was a legitimate one, his need imperative, the delay disastrous, and he had to do as others did. To the suggestion that he should have fought the matter to the end for an honest solution, he answered that he could not afford the cost in time, publicity, enemies, and the resulting troubles, and that it was none of his business any way. Manifestly just as long as men who claim to be worthy citizens take that attitude, we cannot expect much in the way of improvement from the professional hoodlers and grafters.

It is a stern arraignment of the American "business man" that Mr. Steffens makes in one of his utterances. After dismissing what he terms "the hypocritical lie" that the foreign element in our population is responsible for our graft and corruption, he says: "Another conceit of our egotism is that which deplores our politics and lauds our business. This is the wail of the typical American citizen. Now the typical American citizen is the business man. The typical business man is a bad citizen: he is busy. If he is a 'big business man' and very busy, he does not neglect, he is busy with politics, oh, very busy, and very business-like. I found him buying hoodlers in St. Louis,

defending grafters in Minneapolis, originating corruption in Pittsburg, sharing with bosses in Philadelphia, deploring reform in Chicago, and beating good government with corruption funds in New York. He is a self-respecting fraud, this big business man. He is the chief source of corruption, and it were a boon if he would neglect politics. But he is not the business man that neglects politics: that worthy is the good citizen, the typical business man. He is too busy, he is the one that has no use and therefore no time for politics. When his neglect has permitted bad government to go so far that he can be stirred to action, he is unhappy and he looks around for a cure that shall be quick, so that he may hurry back to the shop. There is hardly an office from United States Senator down to alderman to which the business man has not been elected, yet politics remains corrupt. The business man has failed in politics."

Again, after relating the story of the regeneration of the city council of Chicago, where important reforms to honesty were accomplished and are not yet appreciated throughout the country, Mr. Steffens says: "How do the 'big business men' like it in Chicago? They don't like it at all. I spent one whole forenoon calling on the presidents of banks, great business men, and financiers interested in great public utility companies. With all the evidence I had in other places that these men are the chief sources of corruption, I was unprepared for the sensation of that day. These financial leaders of Chicago were 'mad.' All but one of them became so enraged as they talked that they could not behave decently. They rose up and cursed reform. They said it had hurt business, it had hurt the town. 'Anarchy,' they called it; 'socialism.' They offered me facts and figures to prove that the city was damaged. 'But isn't the reform council honest?' I asked. 'Honest! Yes, but h—!' 'And do you realize that all you say means that you regret the passing of boodle and would prefer to have back the old corrupt council?' That brought a curse or a shrewd smile, or a comical laugh, but that they regretted the passing of the old boodle regime is the fact, bitter, astonishing—but natural enough. We have seen those interests at their bribery in Philadelphia and St. Louis; we have seen them opposing reforms in every city. Here in Chicago we have them cursing reform triumphant, for, though reform may have been a benefit to the city as a community of freemen, it is really bad; it has hurt their business."

It is the sort of an influence—the tremendous growth of graft in politics and in business, with the resulting callousness upon the conscience of the multitudes who participate in it, that is manifesting itself afresh in other fields of

endeavor. Employer and employee alike, in varying degree, must share the responsibility for the shocking things that are alleged and developed as to graft in the industrial world. The honest workman cannot shift to his business agent or walking delegate all the blame for the corruption that creeps into the union movement, any more than the honest business man can escape his share of guilt in the lawless methods that may be used by the lawyers or agents employed by his association and paid from the treasury to which he contributes.

It is no part of the writer's duty to strike a balance here between employer and employee, or to determine where the greater blame lies for the evils that are perpetuated in the war between capital and labor, in which the public in the mass always is the sufferer, and always in the end pays the bills. Every candid man knows that there is enough of blame on either side, and merit at times in the contentions of both parties to the conflicts. All we can do here is to relate some of the phases of the conflict in which the characteristic American evil of graft has played a part.

The peculiar power placed in the hands of the trusted business agent of a union and the manager of an employers' association, with the obligation they seem to feel to win every contention at all hazards, has stimulated and made possible much in the way of improper manipulation of the money and the authority of command. The organizations have been less curious about the methods employed and the disposition of the money expended, than they have about the results obtained. As a natural consequence of the application of the old phrase, "You must fight the devil with fire," there has been a tendency on each side to use lawless and extreme methods to accomplish the ends sought. In earlier pages we have written at length of the crimes of capital and the crimes of labor. But it would be impossible to relate all the details of the charges that are bandied back and forth between the opposing forces, or to follow into all its branches the slimy trail of graft that can be traced across the whole history of recent conflicts.

We do not need to go back to the case of the notorious Sam Parks of New York to find an example, though he has been a conspicuous figure in the list, characterized as he was by courage, recklessness and greed. During the spring and summer of 1905 the teamsters' strike in Chicago, with its attendant difficulties, disorders, negotiations and investigations, brought out evidences of plot and counterplot which showed the blight of graft at every hand. Upon one side the charge was made categorically by certain labor leaders that employers had offered large sums as bribes to induce the calling of strikes

against their competitors in business. This was made with special regard to one large mail-order house, the claim being that the management had offered the sum of \$10,000 to the union leaders and the strike fund if a strike would be declared against the most conspicuous rival in the same business. Of course the charge was denied and indeed indictments for criminal libel were returned against the ones who voiced them, but in various ways they have been reiterated against others. Again, it was charged in detail by labor leaders and others, that the great strike of coal teamsters against the huge office buildings of Chicago, by which the latter were forced to abandon the use of natural gas for fuel, and take coal instead, was inspired and paid for by the most prominent coal dealers of the city for their own profit.

On the other side, it is alleged with equal definiteness that some of the labor leaders have offered strikes for sale as a virtual business, or have agreed to avert strikes for money paid to themselves, or have called off the strikes when paid to do so, irrespective of the merits of the cause or the interests of the unions they were purporting to serve. Money has been spent lavishly in private dissipation by some of the more reckless labor leaders, and the only source from which it could come is the treasury of the unions or graft from employers.

The most conspicuous charges centered around the name of one John C. Driscoll, not a labor leader, but a "commissioner" who dealt with unions as a representative of employers. He testified before the Grand Jury in the Chicago investigations, in a way to throw much light on the subject. In his days of influence he seems to have acted on the broad general principle that industrial peace had a cash value to employers of labor. Whenever a client of his was threatened with a strike, he undertook to smooth away the difficulty if provided with the necessary funds, and he applied the funds where he thought they would do the most good. Ordinarily he prevented a strike, according to his own story. Equally satisfactory results were produced, he says, when there was a strike to be brought to an end. According to Driscoll his methods have resulted in peace on hundreds of occasions.

There are employers who defend such actions. They agree with Driscoll that if labor leaders of a certain sort need to be placated, it is the business of the expert employed for that purpose to establish a friendly understanding at the lowest market rate. As to the methods employed the man who draws the check is studiously incurious. He gets what he pays for and asks no questions. Just as he has a lawyer to look after his interests in court, he has an agent to fix up his labor troubles. Strikes are annoying and costly. He prefers not to

have them, or at least to get them settled as quickly as possible with the aid of his agent and his check book.

That is the immoral way. The employer has no right to disavow responsibility for the methods of his agents. To assume that trades union leaders are corrupt, and to buy them off, is to bring corrupt men to the front in unions. Clearly it is to the interest of an honest employer to deal with honest men when questions relating to his working force are to be considered. He has no right to pay blackmail or tribute of any sort to keep from meeting an issue, even though that issue he raised for a dishonest purpose. Until this attitude is taken and maintained, we cannot bring graft in the labor world to an end. It is equally imperative that the honest labor union men disavow and eliminate from their ranks the men who use or accept bribery and graft, even for the apparent profit of the unions. Sam Parks went to the penitentiary, after a career that involved grafting upon the labor unions whom he represented, and the employers who were equally his clients, as it afterwards developed. Hundreds of thousands of dollars were won and lost in the graft practices that obtained under his regime, and he was the largest sharer in the plunder. And yet he was tolerated and even upheld throughout the unions he pretended to serve.

In the last analysis, the American public, of all ranks in life and labor, will surely revolt against these nefarious practices that lower the whole tone of honesty and decency. It is in exposures, publicity and education to a higher standard of integrity, that we see hope for the future.

CHAPTER XXXVIII

WHAT ARE YOU GOING TO DO ABOUT IT?

Plutocratic Impudence—Education must be the Foundation to the Solution of Present Day Evils—Broadening of Governmental Power—Publicity the Best Cure for Graft—The Same Brand of Honesty Needed for Public as for Private Life.

A GENERATION ago "Boss" Tweed, who ruled Tammany Hall and New York City as if a municipality were nothing but a private enterprise for personal exploitation and gain, when remonstrated with for leading the city into a reign of boodle such as seldom has been duplicated, gave utterance to the historic phrase: "What are you going to do about it?" Manifestly this was a piece of effrontery which shocked the public. But, crude as it was and outspoken, it depicted the type of business, political and social unfairness which existed then and still exists, even though under the guise of philanthropy and uprightness. When "Boss" Croker of Tammany Hall in more recent history definitely suggested that everything he did in politics was for the benefit of his own pocket, and at the same time expressed a lively and honest interest in religion to the point of asking the renowned orator Bourke Cockran to combat the agnostic teachings of the late Robert Ingersoll, there seemed to be an inconsistency in the man which few observers could understand. When one of the Vanderbilts, piqued into an unfortunate remark because a special train on which he had prided himself had to be withdrawn from service through lack



WILLIAM M. ("BOSS") TWEED,
The father of political corruption, who died in prison

of patronage, said, "The public be damned," he expressed something of this seemingly inexplicable attitude of antagonistic classes in modern civilization. Between these varying phases of impertinence which range from downright criminality to the unfair absence of a consciousness of a duty to be performed, there are many steps, which in themselves appear insignificant, but which lead definitely toward a given goal.

When James J. Hill resented the attitude of President Roosevelt in seeing that the anti-trust law against combination in restraint of trade was carried out, even though it necessitated the dissolution of the greatest railway merger ever known, and viewed the railway business as his "own business," the distinction from the other phases of unfairness was small. The same thing held true of the attitude of the members of the Beef Trust in believing it within their province to restrict trade, contrary to law or otherwise, for the benefit of their fast-swelling purses. The example of plutocratic impudence carried out to its logical conclusion as seen in the history of the Equitable Life Assurance Society probably has no equal in the annals of so-called legitimate "high finance," though we find reputable people practically calling for the ostracism of the men who attempted to plunder the investing public through the scandalous but "modern" business methods used in the flotation of the securities of the United States Shipbuilding Company.

In many directions we find the same disease eating its way. The grafter in Philadelphia keeps brazenly at his work, confronted by a hundred hangman's nooses, and only desists from robbing the city, not only of its wealth but of its fair name, when the logical force of Might—the populace—insisted upon its rights. No greater arrogance, even though it be less glossed over by superficial refinement, exists than that shown by many of the leaders of organized labor. This is met by the same degree of stiff-neckedness on the part of the capitalistic class which insists "this is my business." But this class cries out in horror when an indignant public demands to know how a Rockefeller honestly can accumulate the wealth of half a dozen states in a lifetime. The employer and those who justify his methods deem he is doing humanity a great service by "giving work" to wage-earners. The wage-earner insists upon the right to labor. The employer cries out against the boycott as un-American, forgetting that the refusal of the people of the American colonies to buy products from England was one of the most effective weapons aside from bloodshed used to gain freedom through the War of the Revolution. And while the trust promoter and "high finance" banker "water" stocks so copiously that the term has become synonymous with robbery; while stock manipulation goes on dishonestly

in Wall street, and the corporation manager, blinding his stockholders, issues the "official denial" which is tantamount to downright falsehood, the labor leader frequently advocates slugging, often selfishly restricts logical progress and carries business war forward constantly in such endeavors as will gain a temporary victory, as say, in the resistance of the policy of the "open shop." In the meantime the whole land trembles and cries for a "square deal."

At this point the query, "What are you going to do about it?" comes not from the impudent malefactor but from one and another of the vast majority, which by the power of Might make their edict Right—from the millions of sober minded Americans who by right of birth or naturalization have vested in them the power to declare their sovereign will operative for the benefaction of all society. Such a question, perhaps, is the natural query that springs up in the mind of every person, who, roused by the cry for the "square deal," seeks through the medium of this book to know more concerning the great domestic problems which confront the nation today. Indeed, the problems before the American people for solution differ but in degree from those which are before the civilized nations of the world.

It follows almost without saying it specifically that the existence of a demand for such a book as the one here presented presupposes a somewhat general admission of the fact that education must be the foundation stone on which any scheme of solution of present-day evils is to be built. If the reader has seen anything of evolution in the foregoing chapters there must have been more than a hazy suggestion that the demand for knowledge which shall work for good citizenship, which shall result in good character-building and enlightenment to the point that action may be taken logically to remedy existing evils, is abroad in every part of the land. Perhaps those into whose hands this volume will fall and who agree with this assumption believe that the desire for knowledge is no sooner expressed than it may be gratified. Several obstacles, however, interpose to prevent as definite progress in this direction as is desired. Poverty, no matter what may be the cause, is one of these difficulties, and at the same time it is one of the ills which through education we seek to ameliorate. There is one school of philanthropists which, now that America has developed a type of its own making through the commingling of most of the white race and some other races, seeks to prevent poverty by restricting immigration of certain so-called "undesirable" people from other countries. The laws of the nation already limit this immigration to a considerable degree: paupers, criminals, diseased persons, contract laborers and several other types being barred. Another school of sociologists holds that while criminal or vicious individuals

should be kept from the country, it is an admission of faulty logic when the sin of poverty can be stamped out only by such preventive methods. And closely allied to these thinkers are those who cry out upon the coincidence of congested tenements and palaces of the millionaires in the great cities and the broad acres of the rich man's country estates side by side with vast unused spaces where the poor would not find themselves shelterless so long as they had the free use of their limbs.

But in the plea for education it is not alone the impoverished man who must be reached, for it is not always this class that is most ignorant of conditions which must be understood before some of the worst evils of modern society will find their remedies. Clearly one thing must be understood concerning the attitude of the so-called lower classes. There is an influence at work apparently to create a class instinct among wage-earners, if that instinct does not, in fact, already exist. This instinct does, or will, work for whatever will be either of temporary or of permanent interest to the wage-earner. Up to this point it has worked principally to create organizations of the trade-union type, to gain any advantage possible for members of the union, by peace methods if possible, but by war methods if necessary. Edwin Markham catches this spirit of the wage-earner in his poem "The Right to Labor in Joy," the lines of which we print with the view to setting forth by indirection what must be some of the unending demands of the wage-earner upon society:

*"Out on the roads they have gathered, a hundred thousand men,
 "To ask for a hold on life as sure as the wolf's hold in his den,
 "Their need lies close to the quick of life as the earth lies close to the
 stone;
 "It is as meat to the slender rib, as marrow to the bone.*

*"They ask but the leave to labor, to toil in the endless night,
 "For a little salt to savor their bread, for houses water-tight.
 "They ask but the right to labor and to live by the strength of their
 hands—
 "They who have bodies like knotted oaks, and patience like sea-sands.*

*"And the right of a man to labor and his right to labor in joy—
 "Not all your laws can strangle that right, nor the gates of hell destroy.
 "For it came with the making of man and was kneaded into his bones,
 "And it will stand at the last of things on the dust of crumbled thrones."*

In many quarters one hears the ready assumption that "a man gets about what he is worth" and that "evolution" and the law of "survival of the fittest" will take care of the fundamental matter of labor and the fruits thereof. It is not our purpose here so much to consider the ethics of the problem of which poverty is one of the principal phases, as it is to point out that the conditions that develop poverty to a great degree are working definitely as a tremendous force in its solution and in answering the question of "What are you going to do about it?" Granted "undesirable" immigrants come to this country from the worst classes of the peoples of Europe. The causes back of their coming are manifold and will have to be removed at least in part before other malefactors can hide their sins under the cloak of this evil. In the first place, America is the "land of the free." In the next place, in hundreds of thousands of cases immigrants are tempted to come to this country by wicked misrepresentations of people who will be benefited by their coming—principally employers seeking labor in the cheapest market and constantly using dishonest means to get labor at what is termed the "living wage."

Obviously, however, the day has gone when the wage-earner is going to be content with simply existing. With the progress of the world in every direction it should be apparent to the most ignorant multimillionaire—and here it may be said that as concerns the desires and ambitions of the poor the rich are the most ignorant—that no longer will a bare "living wage" suffice for the wage-earner. If, perchance, the workman desires college educations for his children and Beethoven music for himself, nothing short of this can constitute the modern "living wage." Undoubtedly this is the fundamental impulse that now is developing what some please to call a "class consciousness" among those who do the work of the world. It is this surge which has held together the trade union as a makeshift toward getting better conditions for labor until a more perfect way can be evolved.

With this somewhat slow awakening to needs for a higher sort of existence than that of dumb brutes and meager and imperfect means for obtaining them, there has come another awakening which the present dominant class cannot overlook. This is the awakening to the fact that wrong has been committed in high places. As has been outlined in the foregoing chapters, a wave of infidelity to the obligations of trust has swept over the country. There appears to be an easy set of business morals at work in many quarters today. It has been said truthfully that "men who recognize and obey the highest demands of honorable conduct in the discharge of the duties of a trustee under a will or the guardian of an infant, seem to set up a different standard when serving as director or

agent of a corporation." In feudal Europe there were two principles at work to keep the demands of the populace in check: "the king can do no wrong" and "I rule by Divine right." It has been said that while these have given way long since, they have given way to new principles which run something in this fashion, "the kings of industry can do no wrong" and "we rule by divine right of high finance." People do not like the idea of a self-perpetuating, irresponsible monarch in business any more than they like the absolute monarch in government. The eighteenth century saw the movement for freedom from political despotism and this twentieth century is witnessing the movement for freedom from financial despotism. And when we find the wage worker bent upon a higher scale of life and crying out upon the faithlessness to trust in high places we find potent instruments for furthering the evolution which we are witnessing.

Thus far education has been reciprocal and all present signs point to a continuation of this tendency. In days of feudalism the educative forces of civilization were dominated by the overlords who retained the educators. Concessions from existing conditions to the underclass came slowly and education wrote into the ethics of the ruling class new doctrines of liberty generally only after liberty had been achieved. Today it is quite patent that the dominating class, the capitalist, works through education as well as through social, business and legal influences. This being true, we may expect to see ideas favoring anything beneficial to capitalism as the dominant system of economics working constantly in law, in education, in morals, in general business. Because of this we find more and more the dollar the goal of all ambitions. In the question of this goal we find many people who do not use the rules of the game of present-day competition. In fact, as pointed out heretofore, we find the motto in many business quarters to be "business is war." Naturally here arises the question as to what can be secured by education at this juncture.

Briefly put education must raise the general level of humanity to a considerable degree, but in current events it appears to be disclosing to the lower order of intelligence the questionable methods employed by the dominant class to get whatever of the good things of this earth are available to Might. Thus, while the wage-earner is confronted with the goal of his employer, he is also tempted to use the means his employer has used to attain that goal. Before education, therefore, is to work a good influence on the lower classes, it is barely possible that the dominant class must learn square dealing.

But at once the disciple of educative methods for relieving social ills is confronted with fact that even legal methods can be used to benefit the more powerful class. When the strongest party desires certain legislation it can legally

secure that legislation by force of controlling public opinion. Therefore the class instinct in the wage-earning class finds it to the interest of this class to work through legal means to secure every possible advantage over the capitalist class. Obviously, education among the wage-earners is developing to a knowledge of how to use the right to vote to the best advantage. Today as never before there is a spirit abroad among the wage-earners to awake to the natural power placed within the reach of all Americans to create, by means of the electoral franchise, conditions which will favor them instead of the employing class.

Here we find up to the present time the existence of the idea that the interests of capital and labor are conflicting rather than identical. And at this point it is perhaps permissible to state that on this rock many schemes for improving existing conditions have been wrecked. Naturally it is to the advantage of the capitalist class to educate the wage-earner to view the present system of distribution of wealth as the only feasible one. But the wage-earners, and many others for that matter, express grave doubts over the stability of the capitalistic system of wealth distribution. Therefore we find educative forces among the wage-earners working to build up a sentiment to destroy this system and place in its stead one which will not permit of such glaring inequalities as exist between the capitalists and the wage-earners today. Apparently this results in working in a circle and leaves class antagonism where it started, bent upon the mastery of the situation by the most powerful. And to some degree this assumption is based upon known tendencies. If capital is being educated to consider the needs of the poor in order to set a better example to the wage-earner, the working class is being educated to the power of the ballot. For there is no doubt that the wage-earners are in the majority and that therefore they can legally declare Might to be Right and vote to make even as sweeping changes in existing conditions as the confiscation of public utilities and other tools of production and thereby displace the present system of capital domination by community ownership.

This, indeed, is being accomplished in some measure by municipal ownership in many cities of Europe and some cities in this country. Many a town owns its water and light plants, small parks and neighborhood settlement houses, and some of them operate street railway systems. What we seek to learn from these developments is to ascertain to what extent this phase of social life is a criterion of the future functions of government. In the foregoing chapters what has been the dominant note struck by history itself? In the cases of the investigation of the Beef Trust, the Standard Oil Trust, the Life Insurance Trust, of the prosecution of grafters and of the interference between employer and employe

in the clash of conflict we find definitely a tendency for government in some form to interpose its influence. We find many laws in existence to prevent combinations in restraint of trade, laws against trusts and monopolies, when actually there are great savings in the methods used by the trusts and monopolies. Why is this? Emphatically because the lawmakers of the country fear that people will not be fair enough to each in the quest for dollars to be left to themselves in charge of great power without the restraining hand of the law.

This brings us to the conclusion that, whatever is to be the ultimate future of social conditions, government regulation is to play an important part for some time to come. By this we mean the supervision of governmental forces over the business of the country. There are those who believe this will be but a makeshift in the course of evolution, that the eventual trend is for government to assume any and all duties that will make for the happiness of all. Specifically it is pointed out that in an industrial millennium equal opportunities will offer for every person to achieve easy conditions of life. But in the meantime, for instance, while strife between capital and labor goes on, it seems quite likely that the suffering public will demand such government intervention as will go to the point of forcing contending interests to arbitrate their difficulties, regardless of the plea of one side that "there is nothing to arbitrate."

Briefly, therefore, it may be said in answer to those who ask "What are you going to do about it?" that the question is being answered daily through actual progress, although that progress may be slow. In the first place we find the general weal calling for education in order to handle perplexing problems with something of sanity. Then we find that although there is a class war between capitalist and wage-earner the public calls for the use of the ballot instead of the shock of physical combat. And, furthermore, we find a definite tendency for the public to lean so strongly toward governmental regulation of monopolies and other powerful combinations that government ownership is advocated and adopted in many quarters.

Now the obstacle that confronts the advocate of a general advance toward such a community ownership as is suggested by Socialists comes from the dread of graft among the politicians. Those who are combatting the socialistic tendency use the argument that as a people we are not fit to govern ourselves to the point of owning and operating all utilities, lest graft creep in and debauch the country. Doubtless the examples of graft today have made this fear seem based on something definite and lasting. But at this point publicity, which is the accepted cure for temporary ills, is advanced as the preventive of grave abuses in a more ideal community. Whatever the tendency toward this ideal

may be, it is evident that the bulwark of democracy today is publicity. For one thing, the public as a whole is too honest to countenance graft, "high finance" robbery or arrogance in bribing employer or slugging labor leader if the facts are laid bare. Corruption cannot bear the light of publicity any more than darkness can withstand the rays of the sun. Self-interest will not permit of general wrong. This corruptionists have seen long since, and as a result they have bought up newspapers and other means of publicity either to stifle the cry for the "square deal" or to start a counter-cry which will drown the honest complaint. Venality exists with the press as everywhere else. But eventually it becomes known.

There are times when publicity is hard for unfortunate or dishonest people or corporations. The stock company which is thriving finds publicity easy; it is when the company runs upon hard times and financial statements show up poorly that the rub comes. As President Wilson of Princeton University says of the corporation manager: "If we are to give them our money we must at least trouble them to let us see their consciences." The Rockefellers and Havemeyers who view publicity as a sin against "big business" ask the public to trust the corporate manager while such rottenness creeps into high finance as in the case of the Equitable Life scandal. John E. Parsons, counsel for the Sugar Trust, says: "Give me a body of honest men who are perfectly trustworthy, and I would be willing to invest money with them without going very deeply or minutely into prospectuses or reports." Of course honesty and probity are the most essential things in corporate management as in private life. "If all men were absolutely honest as well as able," says the *Wall Street Journal*; "if all directors felt their responsibility as trustees of other people's money as keenly as they appreciate their own opportunities for personal gain, then it might be said there was no need for publicity." But publicity is necessary to enable people to know the character of the men directing corporation affairs. Character of course is essential, but we cannot know the character of a corporation which hides behind the veil of mystery and does not disclose its affairs, good or bad, even to its stockholders.

Following close in this line of thinking, we find certain statesmen advocating federal licenses for the interstate corporation, as suggested by Commissioner Garfield. In this line Judge Peter S. Grosscup of the United States Circuit Court expressed his views in *McClure's Magazine* as follows:

"Let me preface it by saying that against corporations, as corporations, I have no enmity. Modern civilization requires that capital shall be wielded in large masses. The corporation is civilization's method of wielding capital

in large masses. On that account the corporation is here to stay. The only institution in sight to supplant it is state socialism; and state socialism is revolution accomplished.

"But the fundamental basis of the corporation is the institution of private property and the guaranties our government gives to private property. Now, it so happens that the fundamental basis of the thing I have called measurable individual independence, and the opportunity to measurably exercise individual dominion, is also this institution of private property.

"It was the institution of private property that, more than any other secular agency, brought us to civilization; and on this institution, as on a rock, the civilization of the world, and the world's republican institutions, must continue to rest.

"Now, it is just this institution of private property that is undergoing, at this time, a strain never put on it before. The weight producing the strain is the corporation. Not because the corporation, in essence, is retrogressive and un-republican, but because, in fact, it is un-republican, and for that reason retrogressive also. Not because the corporation is big and growing bigger; but, because, in all this growth of superstructure, the base is narrowing—the proprietorship of the private property of the country, by the bulk of the people of the country, is radically narrowing.

"Thus corporate dominion has, within thirty years, beginning with almost nothing, outstripped agricultural ownership by more than three billions of dollars; and, barring city real estate, comprises now nearly one-half of the whole wealth of the country. In the swing of the industrial system, the corporation has come to be the gravitating force that holds the activities in their orbits. Is it much wonder that, in the eyes of those who look upon the corporation as an interloper, it has come to be regarded as a usurper also—the usurper of what the labor of individual men has created; or, that in the eyes of those who, with clearer vision, look upon it as an indispensable phase of industrial evolution, the way in which the corporation shall hereafter be organized, and the bounds given to its dominion, are coming to be the paramount political problems of our time?

"Nor, viewed purely as a question of economics, can the transformation be ignored. The industrial complaint that has greatest voice today is the danger of monopoly. Corporations owned widely by the people might, perhaps, become monopolies; though I know of no actual instance of a monopoly widely owned. But the antidote of monopoly is competition; and let it come about that corporations be made reasonably safe, and therefore desirable in-

vestments—let it come about that the corporation shall no longer be regarded as a mere financial sinkhole, except for those skilled in its ways—and there will be abundance of capital at hand, as the bank deposits show, to put in the field a competitive corporation, whenever in that field monopoly seems to have established itself. Indeed, the chief reason why any monopoly can now maintain itself is, that besides having a grasp on all the physical sources of productivity within a given field, it has a large grasp, also, on all the financial resources that would otherwise go into the building up of competitors.

“But the transformation strikes deeper than mere economic conditions, or the natural laws that govern monopoly and competition. The transformation of the ownership of a country’s industrial property, from its people generally, to a few of its people only, reaches the bed-rock of social and moral forces on which, alone, the whole structure of republican institutions rests; for, under such conditions, instead of depending, each on himself and his own intelligence chiefly for success, the great bulk of our people, increasingly, will become dependents upon others. Those who possess investible means will come to rely solely upon the great financial institutions; and those who possess nothing but capacity for labor, upon the great organizations of labor. That is paternalism that will eventually divide the country into two hostile camps, the camp of those who have, and the camp of those who have not; the paternalism that speedily descends into actual state socialism or a dry-rotted citizenship as nerveless and squalid as state socialism.

“The first step in the solution of that problem is, that the government obtain a full grasp of the whole subject matter; and this, in my judgment, can adequately be done only by putting aside the five-and-forty bewildering state hands, for the one great national hand.

“The second step, the step for which the first is taken, is to take care upon what kind of corporate proposal the government’s great seal is set—to cut out the stock-jobbing corporation; the water-logged corporation; the mere vision of visionaries; the labyrinthian corporation whose stock and bond issues are so purposely tangled that no mind, not an expert’s, can follow their sinuosities. In short, to regenerate the corporation.

“The third step is to open to the wage-earner of the country the road to proprietorship. The basis of every great successful enterprise is the command: Go forth, increase, and multiply; and to no enterprise can right fully be denied the fruits of that command.”

In order to weigh the foregoing statement in the just balances of modern development and of the “square deal,” it must be said it expresses, as it sug-

gests, the belief of an exponent of the capitalist class, the ideas of a believer in private property to the exclusion of any other form of property ownership. It is not our purpose here to pass final judgment on what Judge Grossepup decries as paternalism. The one great question before the American public is, what will give the majority of the citizens of this country the most happiness? We have seen that private exploitation of such public functions as life insurance, the postal service, railway lines to the point of discrimination and many others is not to be tolerated. We have seen that logical growth of business constantly tends toward monopoly for the purpose of economy. But we have also heard the emphatic denunciation of abuse of private ownership of monopolies. D. W. Frederiksen, a well-known student of the question of monopoly and trusts, said recently: "Many will doubt whether this (government) regulation is feasible, and will say prices must be regulated by supply and demand and not by law or by the courts. Given FREE competition both by vendors and buyers, this is true, but if the VENDOR owns the ENTIRE WORLD'S—or the entire locality's—supply, the law of supply and demand does not come into play, since it is demand alone, or the buyer's necessity, which fixes the price. The vice of the trusts is to substitute for law of supply and demand, the law of demand merely, and it is in such cases only that regulation by law or by the courts would seem to be necessary."

It is quite evident, therefore, that if, as we know, monopolies do exist, and do command markets and do regulate prices and do work injustice, the happiness of the majority of the citizens of the United States is not conserved. Before final condemnation is placed, then, on the idealistic purposes of those who would like to see so-called "private" business operated more nearly on the "square deal" plan, there are to be heard from at least many thousand voters who, apparently, will insist upon some further test of this bugaboo of paternalism. And it is of necessity that we revert here to the significance of the remarkable demonstration of discontent in the vote of nearly 400,000 citizens for E. V. Debs, the Socialist candidate for President in 1904. As has been pointed out elsewhere, men of affairs consider this a protest against the mismanagement of business by our much lauded "captains of industry." What this tendency, running strong toward Socialism, will bring forth, cannot be known now. Suffice it to say that there are many clear-eyed men among these much maligned "cranks," "reformers," "revolutionists," or what you please, who see the logic of combination and monopoly in business as definitely as does the leader of business himself.

But there is one great difference between these classes. The captain of industry is always working for his own interest, and many of his type will use questionable methods if there be a dollar in it, whereas the "dreamer" at least preaches "an equal opportunity for all" and teaches daily a working lesson on the "square deal."

To recapitulate, we would record the tendency of the times to be about as follows:

1. Industry today is better regulated for the production of wealth in abundance than ever before in the history of the world. Monopoly and trusts are economical and are here to stay.

2. Although the world is producing more than ever before and doing it more economically than had been dreamed of a decade ago, the inequality between the rich and the poor—the wage-earner and the employer, the toilers and the idle classes, perhaps never was more marked.

3. Coincidentally with this great inequality, human beings have been turned into mere machines, men created in the image and likeness of God have been marred in soul and body beyond the recognition of their divine nature—all to the glory of that demon Mammon.

4. And still further, and also coincidentally with these developments, crime has entered to separate employer and employee; graft has crept in to trample upon the legal rights of citizens, legal murder has been committed in the name of the "divine right of high finance and big business," and the fountainhead of liberty again and again has been tainted in a hundred different ways.

5. But while the more intelligent people of the country, and, therefore, those who are more strictly answerable to God and man for their deeds, have trodden down the poor and laid waste the homes of father, mother, sister and brother, the populace has awakened to the enormity of the sin.

6. Remonstrance against the unfairness of modern business and social systems has become general and the cry for the "square deal" has gone up from almost every quarter of the country.

7. While demands for fair dealing have been loud and frequent, action looking to amelioration of existing evils has been somewhat constant. Up to the present this has been instanced principally through efforts to enforce existing laws, and to enlarge the scope and function of government. This has been due largely to the fact that constantly business interests have discovered methods to circumvent the law in their efforts to find the most feasible and economical means of producing wealth.

8. The broadening of governmental power has been seen through such of its phases and action as aim to secure municipal ownership of public utilities, regulation of railway, gas and electric light rates, prosecution of the trusts, etc. This power has been combatted fiercely by the money interests because it threatens and curtails the power of the capitalist class.

9. The laboring class, through trade unionism, has tried to create as definite and far reaching a monopoly in labor as capital has made of natural resources, and the tools of labor. War has ensued which both employer and employe aggravate by unfairness.

10. The public, composed of both contending forces and the middle class, cries out upon such conditions and seeks to enforce the law against thuggery, retaliation, bribery and graft.

11. In the meantime, efforts are making to educate all classes to the saner and more honest use of the ballot, with a view to making government the umpire which shall declare against unfairness and work under the doctrine of the "square deal."

12. Finally there appears to be at work an influence, which, if not overcome by something better than violated promises of fair treatment for all under the present system of the unequal distribution of opportunities and the wealth produced by mankind, may swing one of the great political parties into changing conditions radically by the power of the ballot. And the motto of the men who are at work thus to accomplish what they consider something of an industrial millennium, where happiness for the many and not the few is the goal, seems to be, "Anything that will promote general welfare, even to the point of paternalism and community ownership of the means of producing and distributing wealth, is a just and equitable function of government."

In conclusion, it must be said that all the ills of the world will not be cured in a day. Men will differ honestly in opinions and often will change those opinions. Struggles will not cease, but battles more and more will be for virtue's sake. In reiterating the endorsement of the new doctrine of the "square deal"—new because men once more have come back to the old way of thinking that "honesty is the best policy"—it must be said that, inasmuch as this world is made up of human beings, the personal equation must always be considered in the last analysis of the problems of mankind and of the "square deal." And here we append some of the desired things in this line of the personal equation which *Success* believes would make the world better and which we give our hearty endorsement:

Men who cannot be bought.

Men whose word is their bond.

Men who put character above wealth.

Men who possess opinions and a will.

Men who see the divine in the common.

Men who "would rather be right than be president."

Men who will not lose their individuality in a crowd.

Men who will not think anything profitable that is dishonest.

Men who will be as honest in small things as in great things.

Men who will make no compromise with questionable things.

Men whose ambitions are not confined to their own selfish desires.

Men who are willing to sacrifice private interests for the public good.

Men who are not afraid to take chances, who are not afraid of failure.

Men of courage, who are not cowards in any part of their natures.

Men who are larger than their business, who overtop their vocation.

Men who will give thirty-six inches for a yard and thirty-two quarts for a bushel.

Philanthropists who will not let their right hand know what their left hand is doing.

Men who will not have one brand of honesty for business purposes and another for private life.

Young men who will be true to their highest ideals in spite of the sneers and laughter of their companions.

Clergymen who can hear a louder call than that of public applause, larger salary or a fashionable church.

Statesmen who will not pack caucuses, pull wires or be influenced in their policy by personal motives.

Magnanimous souls who do not look upon everybody they meet for the possible use they may be to them.

Men who are true to their friends through good report and evil report, in adversity as well as in prosperity.

Single-hearted people who do not look at every proposition from the point of view of "What is there in it for me?"

Journalists who will not write scurrilous, scandalous articles merely because their editor-in-chief wishes them to do so.

Young men and women who can stand erect and independent, while others bow and fawn and cringe for place and power.

Men who do not believe that shrewdness, sharpness, cunning and long-headedness are the best qualities for winning success.

Merchants who will not offer for sale "English woollens" manufactured in American mills, or "Irish linens" made in New York.

Lawyers who will not persuade clients to bring suits merely to squeeze fees out of them, when they know very well that they have no chance of winning.

Men who have the courage to do their duty in silence and obscurity while others about them win wealth and notoriety by neglecting sacred obligations.

Men who are not ashamed or afraid to stand for the truth when it is unpopular, who can say "no" with emphasis, although all the rest of the world say "yes."

Men who have the courage to wear threadbare clothes and to live simply and plainly if necessary, while their competitors revel in luxury purchased by crooked methods.

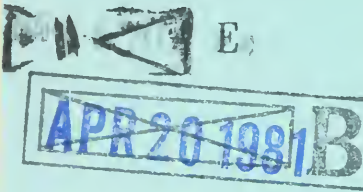
Men who have gained such complete control of themselves that they can pass through the most exasperating situations without doing or saying an unpleasant thing, without losing their temper or flying off their center.

Men who can stand before a demagogue and scorn his treacherous flatteries without winking.

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